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THE

February, 1924

# CREDIT MONTHLY

REG. U. S. PAT. OFF.

*The National*



*Magazine of*

## BUSINESS FUNDAMENTALS



*Not a single Association of Credit Men has  
voted against the Mellon Plan for Taxation  
Reduction nor in favor of a Bonus for  
Uninjured Soldiers.*

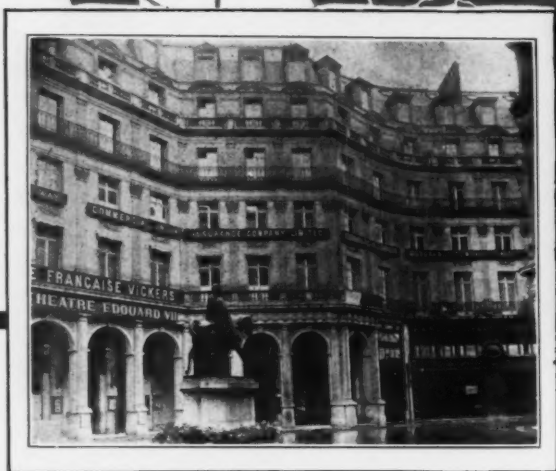
**C. R. BURNETT**

*Chairman, Taxation Committee,  
Past President, National Association of Credit Men*



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ELBRIDGE G. SNOW, President

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Loss .....	4,000

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Insurance required by (80%) Coinsurance Clause .....	8,000
Insurance actually carried .....	4,000
Loss .....	2,000

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3—Value .....	\$10,000
Insurance required by (80%) Coinsurance Clause .....	8,000
Insurance actually carried .....	4,000
Loss .....	8,000

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THE object of the coinsurance or percentage average clause is to assess equitably the cost of insurance.

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Contents of February, 1924, Issue of

# THE CREDIT MONTHLY

A NATIONAL MAGAZINE OF BUSINESS FUNDAMENTALS

Published by the National Association of Credit Men

WILLIAM WALKER ORR, *Editor*

RODMAN GILDER, *Managing Editor*

FORTITUDE IN CREDITS.....	William Walker Orr	5
LIFE INSURANCE A STABILIZER		
Insured merchant debtors are better credit risks.....	A. F. Maxwell	7
YOU'VE GOT THE CHANCE OF YOUR LIFE. A cartoon.....	Rollin Kirby	9
FAVOR MELLON TAXATION PLAN: OPPOSE SOLDIER BONUS.....	C. R. Burnett	9
THE FIREBUG. A story, illustrated.....	Frank R. Otte	10
BANKING REFORM IN COLOMBIA		
A helpful financial mission from the United States.....	Howard M. Jefferson	12
INSURANCE SPECIALTIES AND CREDIT		
Credit men interested in more than life and fire insurance.....	Henry Swift Ives	13
WHAT ALLEN WROTE TO NATE		
Applying ratios in actual practice.....	W. H. Justin	14
WITH THE EDITOR.....		16
HAS YOUR SENATOR HEARD FROM YOU?.....	F. A. Baker	17
FALSE STATEMENT LANDS TIRE DEALER IN PEN.....	C. D. West ("Zerkon")	17
THE CREDOSCOPE .....	J. H. Tregoe	18
ACCOUNTING MACHINES		
Their efficient use by Credit and other Departments.....	E. T. Fanning	20
FOIL PAYROLL ROBBERS		
Give each employee several checks.....	H. Uehlinger	24
CHURCH BORROWS \$3,000,000		
Banks require no collateral.....	George M. Fowles	26
THE AMERICAN PEACE AWARD		
What do the credit men of the nation think of it?.....	Regius Patoff	27
AN AMERICAN LEGION MAN ON THE BONUS.....	R. C.	31
SPOKANE OUTLOOK .....	W. M. Flaherty	32
PRISON SENTENCE FOR SELLING ASSIGNED ACCOUNT.....		36
FOAM FROM THE THREE C'S.....	B. B. T.	37
A WORKING LIBRARY		
Trust company and its customers use it.....	F. E. Francis	38
BOOK REVIEWS .....	John Whyte, Ph.D.	42
ADDRESSES WANTED .....		45
DIRECTORY OF OFFICERS OF LOCAL CREDIT MEN'S ASSOCIATION .....		46

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Travelers Insurance Co.  
Lever Bros. (Lux and  
Lifebuoy)  
Southern Pacific R. R.  
California Packing  
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## Fortitude in Credits

**T**HE thought that gives the most solid happiness is that each day, each task, each responsibility met without faltering is but a preparation for finer achievements.

No man wants to feel that he is at the moment performing the last crowning achievement of his life.

The great painter in his striving for beauty sees better than anyone else, the imperfections in that work into which he has been passionately pouring his spirit; the orator will never feel that he is not some day to make a speech which in diction, simple eloquence and appeal to action is to surpass any effort he has hitherto made; the lawyer studying far into the night all the cases that bear upon the litigation in which he is engaged is heartened by the thought that the knowledge and grasp of the law he is now gaining will give him new authority in the vast field of jurisprudence which he aspires to master.

These men are not buoyed up by success, for to them success seems always ahead, sometimes far ahead. They are gaining fortitude by the hope and faith that upon the foundation stones they are laying, a thing of beauty and usefulness of which they dream is to be erected.

The big man has less of elation and exhilaration than the small man but the former has more fortitude and in this word we have the most essential difference between men. It is the word by which we can measure the man in any calling. In credits, fortitude lifts the man from the humdrum and the colorless and makes him see that everything to which he gives his best prepares for a bigger best. Every new bit of knowledge in creditdom will keep coming up to make for a more intelligent decision next time.

Business calls out for credit men of fine, big performance. What is comprehended under intelligent credit work is needed more in business today than in any other form of service that goes into the business fabric. The credit man has a contribution to business that his point of view best qualifies to give. Shall we be so stupid, so indolent, so indifferent and so lacking in courage and fortitude in meeting rebuffs that we shall fail to make the contribution to safe commerce needed most today?



Editor.





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# THE CREDIT MONTHLY

VOL. XXVI

FEBRUARY, 1924

No. 2

## Life Insurance a Stabilizer Insured Merchant Debtors are Better Credit Risks

By A. F. Maxwell

Second Vice-Pres., National Bank of Commerce in New York

**A**T no time in the last five years has the general business situation in the United States been as stable as today. Business continues active and there is confidence in the outlook. For a long period since 1896 we had rising prices and while there may be a period of declining prices, a business man can adjust his affairs to a declining market if it is orderly. Wide fluctuations are difficult to operate under. In times of high prices common prudence demands close study. The business man of experience knows that in good times, in times of prosperity, one's judgment becomes distorted, watchfulness gives way to carelessness and extravagance in individual, corporate and state affairs and the whole financial fabric becomes strained.

The stabilization of finances, the elimination of extremes of prosperity and depression have occupied a great deal of attention of late and in looking around for factors of stabilization, I believe that the influence and work of life insurance companies should be considered.

In discussing the part of life insurance in credit stabilization, we should first consider what credit is. Some one has well said that credit is the means by which present wants are satisfied through future promises based on confidence. It is the confidence in the security of the property and the disposition of the purchaser or borrower to pay the debt at the appointed time. Credit is not an exact science capable of quantitative analysis but it is subject to qualitative analysis. Science is defined as knowledge gained and verified by exact observation and correct thinking, reduced to law and embodied in system. Science is something to be known, practical understanding, or assured rational conviction.

As we apply the stethoscope to the

credit risk we make a test for two distinct factors,—management and financial responsibility. The statement is the evidence of resources at the risk of the business, the photograph of the financial position at a given date, but as the philosopher has said: "It is not so important to know where we are, as the direction we are going." So it is important to have a comparison of statements over a period of time, indicating the progress or retrogression rather than have a still picture at a time perhaps when window-dressing has been effected. Without going too much into details, let us consider from the material side of the question some of the debt-paying assets we look for in a concern.

### MEASURING ABILITY BY THE STATEMENT

Naturally, first among the liquid assets would be "cash" but in times of greatest need doubtless we would find that this particular item is so liquid that it has evaporated; in fact, the actual records might show an overdraft. Then we come to the "accounts receivable" supposed to represent actual merchandise sales to customers on regular terms, collectable in money and not returned goods. A distribution of these risks, a fundamental principle of insurance, often adds to the safety and collectability. Then we come to the "inventory" and its proportion to the sales, the kind of merchandise whether seasonal, staple or dependent upon the whims of style and fashion; the proportion of raw material and whether in the event of liquidation it would have a ready market, the amount of work in process and how much additional capital would be required to put it in marketable condition, the quality and standing in the trade of the finished product, and the kind of people it would appeal to. The price level of these items

has a decided bearing on the risk; to give some idea of the fluctuations in prices that we have had during the past ten years in some of the major commodities, I present this list:

Commodity	Jan., '14.	Peak.	Low.	Jan. 15, '24
Steers	\$8.60 (100 lbs.)	\$16.80	\$7.00	\$9.60
Copper	14½ (c lb.)	.32	11-¾c	12.40
Corn	62-½ (c bu.)	2.15	.46	.76½
Cotton	12.88 (c lb.)	41-½	10-¾	.3425
Hides	17-¾ (c lb.)	.52	.09	14-½
Hogs	\$8.25 (100 lbs.)	22.10	6.60	7.20
Pig Iron	\$12.50 (Ton)	\$48.50	\$17.75	21.00
Raw Sugar	3.29 (c lb.)	21.57c	3.61c	6.78c
Wheat	91-½ (c bu.)	\$ 3.30	.99	\$1.09
Wool	.56 (c lb.)	\$ 2.35	.80	\$1.40

It was such violent fluctuations and almost total absence of a market at any price that made the re-adjustment of 1921 and 1922 so difficult. The experience we then had demanded revision of ideas regarding credit analysis and we needed more than the ordinary balance sheet with the proverbial ratio of two for one. The value of assets becomes a matter of increased importance as they became subject to broad factors outside the normal sphere of direct financial management of the individual concern—such as the 1921 price collapse, the consumers' strike, legislation, etc. Assets of face value during anything like normal conditions rapidly depreciated through the shrinkage of values and cancellations of orders.

Then we have the "fixed assets" represented by plants, equipment, stores, etc., valuable as a back-log for earning capacity but not available for the liquidation of current debts.

On the other side of the picture are the liabilities. Without going into details, they should be in reasonable proportion to the invested capital so that the creditors will not have more money in the business than the owners! Under liabilities there is also an important item which does not always show on the balance sheet. I refer not

to "contingent liabilities," important as they are, but to "commitments." During the period when it was difficult to get deliveries because ocean tonnage was scarce and railroads badly congested, the manufacturer anticipated his needs of raw material far in advance. Dealers in order to get sufficient merchandise placed orders with many distributors. These commitments developed into actual liabilities as prices declined and if contracts were kept were converted into accounts payable, or bills payable and an obligation often several times the value of the market quotation of the commodity was shown. Thus the credit risk depends not only on the possible changes in respect to commodity values but to the concern's contracts of both purchase and sale and the idea of the sanctity of a contract held by those concerned.

#### MEASURING PAYING ABILITY BY MANAGEMENT

Assuming that the figures are satisfactory the all-important question is the management or the men behind the figures. This one word, management, embodies many elements. For instance, it would include the "moral hazard," a term so familiar to fire insurance executives, representing honesty, integrity, and dependability. We would want to know who and what are the applicants for credit, their personal and business history, where they come from and the record they left,—for a crook or a knave can make a beautiful statement. If the moral risk is good a less attractive statement would be the better risk. We would want to know what they are doing with the resources at their command, whether it is a successful business and what kind of business.

This brings us to the subject of ability, technical and financial,—technical ability considered from the standpoint of the manufacturer's or merchant's knowledge of his particular business; accuracy in judging market conditions for the purchase of raw materials based on reasonable requirements; efficiency of the plant management, advertising and selling; market reputation of the output; utilization of waste products; management of the employees; development of the organization and the building for the future on a stable foundation. Financial ability is demonstrated in the handling of the concern's resources and obligations; by the manner in which the available banking and brokerage facilities are used, the proper distribution of maturities, the dividend policy, the maintenance of proper working capital and full protection of property through adequate insurance and legal service, careful handling of credits, forethought in providing sufficient financing but not burdening the business with unnecessary fixed charges or strained credit.

What could be more heart-sickening than the blasting of one's hopes and ambitions and the necessity of going through life with the stigma of failure—not because of fire, flood, or disaster, over which the man has no control, but because he was unprepared to carry the responsibility, did not know his business, failed because he lacked ability and capacity.

Some of us have been concerned with the disposition on the part of many to mortgage their future income for the satisfaction of their present

appetites for luxury; the tendency to "wear last year's suit, drive this year's car and live on next year's income". But here again the man who is well balanced, keeps his feet on the ground, typifies the kind of management that will be called the fittest in the survival.

#### THE MEN BEHIND THE FIGURES

Thus we recognize the importance of the men behind the figures. Properties can be destroyed but can be replaced; and many successful businesses of today have been built on the wrecks of former undertakings because of the force of character, determination, and capabilities of the owners. It is, therefore, quite apparent how essential it is to protect that managerial ability and indemnify the business if deprived of it. In our business, dealing as we do with the larger units, we have not experienced many cases where life insurance is a necessity; but in many businesses large lines of insurance are carried by our customers. We believe in it, and regard proper protection on the lives of important men of an organization as an added element of strength. We rely not so much on cash surrender values frequently now appearing in the financial statements, nor the loan value of the policies, but on the fact that the management has had the foresight and good judgment to provide for indeterminate contingencies which might possibly delay the fulfillment of the obligations in the regular course of events.

Emerson, in his essay on "Self-reliance", said, "An institution is the lengthened shadow of one man; and all history resolves itself very easily into the biography of a few stout and earnest persons." Many business concerns today are built around some dominating factor and their success is largely dependent on the dynamic force and directing intelligence of some one man. However, in the larger business houses the practice is to give attention to the development of a well-rounded organization, the growth and progress of understudies so that the business may go on uninterruptedly. But the moderate and small-sized units far exceed in number; and no one will dispute the wisdom of indemnifying surviving partners, protecting creditors from loss, and preserving the good standing of the house by adequate life insurance. Insurance has been the basis of credit with some bank loans made on policies; and in certain cases the assumption of an unusual obligation might very properly be protected by a life insurance contract.

Life insurance is even more essential with the individual merchant or the so-called one-man business. The proceeds of the insurance policy absorbs the shock of his loss by the introduction of new capital, permitting an orderly liquidation or re-organization without embarrassment to the estate. It seems to me to be especially essential in certain cases of professional men and farmers where the earning power depends upon individual effort. In fact, the head of a large organization loaning money to farmers on twelve and eighteen months time recently told me that over 90 per cent. of their borrowers carried life insurance payable to their estate and he would not make a loan to a tenant farmer who did not take out insurance to protect the note.

I realize the cost of issuing these small policies is high and that the big

lines of one-hundred thousand units and over are much more attractive; but the ingenuity of insurance men is meeting the situation by finding ways and means to develop the small policy business on a proper basis. Viewing the question from a strictly commercial standpoint, stripped of all the beautiful sentiment and ideals surrounding this great essential American institution, the modern business man should safeguard his enterprise, protect his associates and provide adequately for those dependent upon him.

The stability of credit conditions is one of the chief controlling forces in business. If credit practice is wise, business will be strengthened. If credit policies are unsound the business structure will be weakened. Through the continued betterment of credit methods, through constant attention to future contingencies as made possible by our great life insurance facilities, it should be possible to render recurring business crises in the United States an ever diminishing factor in the Nation's life. There is possibly no greater public service to be rendered than thus to contribute to the stabilization of business conditions. The science of credit is a highly responsible form of social activity as well as a very important energizer of commerce and we do less than our full duty to society and our immediate business interests if we exercise less than our best judgment in providing for unforeseen contingencies.

#### His "Personality and Auto" Worth \$300

MOST men if they were to put a money valuation on their "personality" would not be as modest as the Tampa merchant whose statement recently came to H. G. Pritchard of Geo. F. Ide & Co. Inc., Troy, N. Y. The Tampa merchant's statement was as follows:

"I. Blank, Tampa, Fla.,

April 8, 1923.

#### ASSETS

Mdse. ....	\$2,682.86
Outstanding accts. ....	211.00
Cash on Hand .....	100.00
Cash in Bank .....	500.00
Furn. & Extras .....	910.00
PERSONALITY & AUTO ....	300.00
	<hr/>
	\$4,703.86

#### LIABILITIES

For Mdse. ....	\$1,450.43
Loans from bank .....	450.00
Due on fixtures .....	130.00
	<hr/>
Total .....	\$2,030.43
Surplus .....	\$2,673.43

With \$300 to be shared between his automobile and his personality, the Tampa merchant is at once recognized as an ultra-conservative whichever way one decides to apportion the item.

As is oftentimes the case, the picture is somewhat spoiled by a small defect. The round figures for money in bank and till compared with the apparently meticulous inventory taken, casts some doubt upon the rest of the statement. The best that can be said is that the statement was started in the early morning hour in high resolve to be accurate and was completed at a late night hour after a weary day when business accuracy gave way to guesses.



"YOU'VE GOT THE CHANCE OF YOUR LIFE."

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## Favor Mellon Taxation Plan Oppose Soldier Bonus

THAT the thirty odd thousand wholesale, manufacturing and banking credit managers of the country favor the Mellon plan for taxation reduction and that not one of the 133 local associations of credit men favor the bonus for uninjured soldiers was indicated by the statement made on January 15 at a hearing of the Ways and Means Committee by past-president C. R. Burnett of Newark, N. J., Chairman of the Committee on Taxation of the National Association of Credit men.

Mr. Burnett declared that the organized credit men of the Nation had gone on record as early as June 1920 in opposition to a soldier bonus although a "considerable percentage of the membership saw service in the War."

"It is the job of credit men to see that just debts are paid", said Mr. Burnett. "By their very positions they

must demand the observance of contracts. But the credit men find that the bonus in spite of the argument of many of its proponents, is not a deferred payment of a just debt incurred by the Government. They acknowledge no such contractual obligation on the part of the Government. They want the Government to aid the disabled soldiers and their dependents as far as our financial powers permit, but they see no such obligation to the able-bodied soldiers."

### WHY CREDIT MEN FAVOR PLAN

Describing credit men as accustomed to analyzing budgets and financial statements, Mr. Burnett said that not a day passes "but they must analyze closely the income and outgo of merchants and manufacturers to whom they extend credit and they must also analyze the financial position of the houses for whom they grant credit. These credit

managers know from their own experience the value of balanced budgets, the effect of high taxes on the financial standing of business concerns, the relationship of prices to taxes, and the relationship of operating expenses and particularly of overhead to business profits."

Since the formation of the National Association of Credit Men in 1896, no subject has come before its membership upon which there has been such unanimity of expression as upon Secretary Mellon's proposal, declared Mr. Burnett, who then proceeded to outline the chief reasons for the fact that all over the country commercial credit men are expressing themselves in favor of the Mellon legislation. These reasons are:

"(1) Business today is struggling against high costs and high prices and the resistance that develops against

(Continued on page 22)



# The Firebug

By Frank R. Otte

McLaughlin Company, Inc., Brockport, N. Y.

## PRELUDE

**T**OYING with my Eversharp, I set out to write a business story. Something with a moral, something for you to think about, a simple story based on man's inevitable carelessness—just as it was told to me in the crisp, almost harsh language of one who knew the graphic details.

Crimson disaster, the crumbling of buildings, a red thing, all summed up in the single cry "FIRE!" You hear it in the stillness of night with clanging bells as a motor in ghost-like swiftness cuts the darkness to shredded lights. You smell it in the ominous smoke clouds; in sodden wood turned to charcoal. You see it when the pall of a morning mist breaks over ashes where blackened ribs poke upward.

But my inclinations tremble hesitatingly between two thoughts which would quarrel with me. They are Common-Sense and Romance. Common-Sense says, "Tell your story—no frills. Credit men don't want frills or romance!" But Romance with pouting little mouth answers laughingly, "Don't be all serious. Even Credit men like a little love, you know. So please!"

My mentor is becoming quite restless, quite out of control. You see Common-Sense is getting angry. He hates to lose an argument. And Romance—she's right up on her tiptoes whispering in my ear about Martha. She wants Martha in the story. In fact, she is quite determined about it.

Martha is sitting at a switch board in the mercantile office of the Parmelee-Hampton Company. She has dark hair, with delicate little tendrils playing around her forehead. Her eyelashes are very long and bewitching. She is "remunerative" to look at. You wouldn't like to see Martha sad, but a tear drop on those lashes might remind you of a diamond set over turquoise blue. And then the little mouth—just the right pucker to bring the music which rang so prettily when she answered a telephone call.

## COMMON-SENSE

The shriek of a locomotive always has a connotation of mystery. There is a weirdness in its very penetration, especially when the echo lingers in a trailing sob, when the scream is rasping like the howl of a jackal in the darkness of a jungle feast.

This warning signal disturbed the slumbers of Wesley Hampton but slightly until that memorable night in June; and always thereafter he heard it with a shudder. It revived for him the ghost of Craigville, and asleep or awake, demons with long red tongues again danced before his eyes.

He had left Chicago on a late train, and was sufficiently tired to forget the bumps under number four until, at two in the morning, he found himself half awake wondering at the quietness in contrast to the usual noisy monotony and joltings which aroused him to a state of mental speculation. Then suddenly the roar of escaping steam to-

gether with the ghastly locomotive shriek, rasping its way through a medley of voices.

Wesley drew up his curtain. The echo of the whistle had died down and in its stead he could hear the cracking of timbers and see half-robed figures of men who were yelling to each other in panic-like confusion, adding turmoil to the plaintive cries of women mingled with the sobbing voices of children.

The engineer of Number Thirty-eight approaching Craigville had seen a tiny wisp of fire blazing its way under an eavetrough and through the side of a building, like a red serpent squirming through the clap-boards. He stopped the train and with siren warning awakened the people of the little hamlet to their danger. And there was danger. Those who escaped with their lives stood by to see the complete destruction of the little town.

Wesley crouched in his berth. His face was pressed against the window. He could almost feel the hot breath of this holocaust as it swept in a whipping path across the tracks. He was fascinated until the horror of it awakened in him a fear for his own safety, for the sleeping-car grew suffocating with the density of smoke creeping through the open transoms. There was general scuffling among the passengers; the quick, intermittent ringing of the porter's bell; and down the aisle a woman's voice calling for lights. But all these internal sounds were hushed by the pandemonium beyond the tracks.

Wesley dressed hurriedly, only pausing to watch a woman in a white nightgown hurrying down the track, her frantic effort retarded by a little girl clinging to her out-stretched hand. Behind them plunged a horse in panic with burning flesh and tail lashing like a fire brand soaked with kerosene. Wesley opened his mouth to yell a warning, but too late for the animal was upon them and together they rolled over the embankment.

Down the corridor the woman still called for light, a fitful, pitiful lamentation in contrast to the roaring inferno without. Now men were scurrying down the aisle. A telephone pole, caught in the path of the maelstrom, fell crashing on the sleeper; There the long wall of the locomotive as with quickly increasing revolutions of the wheels the train once more pitched through the blackness.

In the breakfast car, Wesley found himself seated in company with Dave Joyce, a friend of earlier days when both had traveled the same territory.

"Yes, it was horrible," He answered in reply to the inevitable question which followed their greeting. "I shall never forget that baby's white face or the pathos of her rag doll lying alone on the ties."

Joyce was drinking clear, black coffee. His hand trembled slightly. "Perhaps it is a mental re-action," he explained with a shudder, "but just as

I passed into unconsciousness—that pole hit directly over my upper berth"—he turned his head slightly to show a nasty welt behind the ear—"I distinctly remember seeing a woman jump from a third story and for just a flashing second trail flames like a comet. I'm a bit unnerved—nasty headache.

"Do you know, Wesley," he continued, "there's something uncanny about all this. I feel like a firebug. This thing has followed me until I wonder what next before I reach home."

"What thing?" The train was making up for lost time as they flashed by fields heavy with the early spring verdure.

"I'll tell you." Dave paid the tip and leaned back to light a cigarette. "Yesterday morning I sold some of my plunder at Forestgrove. Met Clem Williams at noon—you remember Clem?"

Wesley nodded.

"After lunch he drove me to Hayden and back again to the Junction where I caught this train. On the back trip, about five miles from Forestgrove, we switched on the headlights—it must have been about nine o'clock. But approaching the village, we did not need them for the sky was blood red.—reminded me of the things we used to read about just before a German raid. We pulled up Main street until the heat drove us down the turnpike. There was only a few minutes to watch the fire as it was imperative that I catch this train. Of course, it was a barn-yard blaze compared to the thing we saw last night;—two or three stores going up in smoke—and the situation well under control. You know they joke a good deal about the volunteer organizations. But, Wes, I saw some splendid work last night. They had four up-to-date motorized fire-fighting equipments, and a lot of nifty young fellows in blue jeans going to it like the dickens. Of course, some of it was right funny." Dave laughed in spite of himself.

But Wesley was still serious as he flicked the ashes from his cigar to pick up the trend of their conversation.

"I wonder if there's a sequel to your story," he said.

"What do you mean?"

Wesley's answer was indirect as he questioned, "Do you happen to know John Barry in the men's furnishing shop at Forestgrove?"

"Do you mean the one armed Vet?" Dave smiled in reply.

"I sure do—the lad who, with a small government compensation, one hundred per cent. nerve and no knowledge of business, started 'The Style' about three years ago."

"You have sized him up admirably—"

"Yes, I know him. He's all of that queer combination,—yet with such a likeable smile, and frank determination. He'll win I guess. But let the other



"OF COURSE IT WAS A BARNYARD BLAZE COMPARED TO THE THING WE SAW LAST NIGHT. TWO OR THREE STORES GOING UP IN SMOKE."

fellow sell him for a while. He bought a bill of goods when he first started—Had the devil's own time collecting. Whenever I came around with a hard look—which was frequent—he would beam at me and grasp my right with his lonely left—always the same old song; 'Next time Mr. Joyce—next time.' It got to be a regular slogan! He had absolutely no knowledge of the importance of credit. But he paid in the end. What do you know about him?"

Wesley drew a hand through his gray hairs and released it just in time to catch the water glass as the train swerved over the rough road bed. His thirty or more years of business training had marked him as a man keen in his analysis of other men.

"Our experience," he said, "was similar to yours. He bought in a small way, starting over a year ago last June. About a month ago he came to Chicago, came with that queer combination of bravado and timidity which one might expect to find in a lad out on his first raiding party. He signed up for a whale of a lot of shirts. So they sent him to me for the credit once over. We had a nice chat and when I asked for a statement, he pulled out a miscellaneous lot of papers which took me half an hour to piece together."

"Just like him," Dave laughed.

"Well, everything looked fine until I questioned about fire insurance. He blandly showed me a policy for one thousand. All that, mind you, on a nine thousand dollar investment. I was amazed. And more so when he affably informed me that it was as much as his neighbor, a successful hardware dealer of twenty years' experience, had ever carried.

"'Boy,' I said, 'you must be crazy.' Then for half an hour I argued with him about fire, creditors rights and so forth. But he was as obdurate as he is generally affable, and I couldn't budge him. So I had to turn him down. I wonder if he got caught."

"I don't know," Dave answered gravely. "If the store is at the old stand he was well out of danger. But I recently heard that he had moved and I am not acquainted with the site of his new location. But isn't it a pity how some men will never learn the fundamentals of important things. You did right, Wes, in refusing the risk. But not everyone is as daring or consequently as cautious. The yearly credit loss through indifferent and insufficient insurance must be appalling."

#### ROMANCE

August followed June to find Wesley Hampton busy giving his official sanction to the Fall orders, when a late afternoon train brought John Barry hopping up the steps two at a time. Martha, at the switchboard in the reception room, looked up and saw red hair plastered sideways not far from the middle—at least that was her first impression. Underneath this ruby crown stood a young giant so comically droll with his whimsical smile that she could have pouted her lips in a return compliment had not the empty sleeve simultaneously caught her appraising glance.

She gave him a searching look, and quickly something under the crisp percale shirt-waist beat violently against her breast. He had repeated his request to see Mr. Wesley Hampton. But Martha was playing for time, for the wall clock told her that in just two minutes Mr. Hampton would be going

out of the back door and into his waiting car. There was a subtle warning in the quick tapping of her heart which importuned her to keep this stranger until the morning. For Martha had a secret tucked away in the lower bureau drawer among the intimate little silks she wore just for the very best occasions.

With carefully planned deliberation she asked his name, and as quickly tiptoed into the hall to hide a confused blush which so suddenly and mysteriously spread over those olive tanned cheeks.

"John Barry of Forestgrove," she repeated to herself again and again while hiding behind the drinking fountain until she saw Mr. Hampton hurry out of the back door. And then Martha returned and suggested to Mr. Barry, with carefully studied composure, that he come again the following morning at nine o'clock.

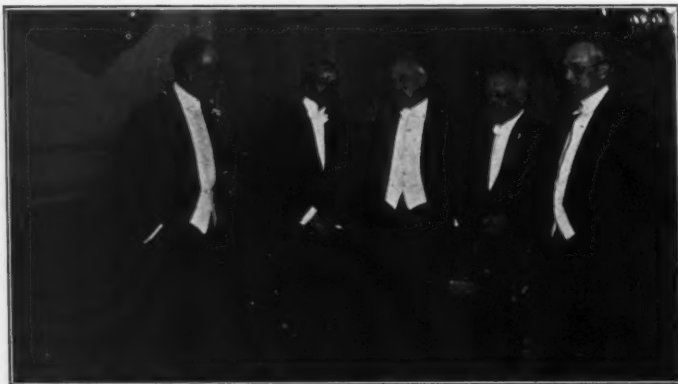
In the quiet of her room, Martha pulled out her treasures in an old ribbon box filled with letters, surreptitious messages written by a soldier lover she had never seen. Then there was his snapshot, and she searched each detail of it eagerly. It was the same—John Barry; a trifle different, a trifle more handsome perhaps in his khaki with a jaunty swagger stick under his arm. On her knees, she scrambled through the miscellaneous pile to find his last letter, searching feverishly while the gas light almost seemed to reflect the rich tones in the black folds of her hair which, with a toss, she had allowed to drop around her slender shoulders. She found it; a left handed scrawl, written from a convalescent hospital, hardly decipherable but telling her how he

(Continued on page 39)

# Banking Reform in Colombia

A Helpful Financial Mission from the United States

By Howard M. Jefferson



(Left to right.) Frederick B. Laquiens, advisors to the Colombian Government; mission; His Excellency, Pedro Nel Ospina, President of the Republic of Colombia; Thomas R. Lill, and Howard M.

Secretary of the Commission of Financial E. W. Kemmerer, Chairman of the Commission, President of the Republic of Colombia; Jefferson, members of the Commission.

**"A** RUN on the Banco Lopez!" This is the startling news which came out suddenly while the United States Financial Mission to Colombia was by invitation of the Colombian government studying the financial situation of that country,—with a view of making recommendations which would establish a sound fiscal system for Colombia. The Banco Lopez was one of the leading banking institutions in Bogota, Colombia; and a banking panic seemed imminent.

The Government promptly declared a four-day holiday and the plans of the Commission were rushed through. Currency was brought to Bogota from Medellin, by aeroplane. The panic was averted.

These dramatic events are a part of the story of the recent financial reform in Colombia, which was the work, first, of far-sighted Colombian Statesmen, and second, of financial experts from the United States, whose recommendations were based largely on their knowledge of the successful operation of the Federal Reserve System of their own country.

## U. S. NOT A "FAVORED NATION"

A word or two to establish a background: The Colombians are the direct descendants of the Conquistadores and they have retained the independence that must have been essential to the success of those intrepid men who braved the dangers of the tropical jungle and fought the buccaneers and the English in order to retain their foothold in South America. They did not take kindly to the Yankee way of going at the Panama Canal matter and some of them have not got over the incident that seems to them so humiliating. The United States is frankly not "a favored nation" in the eyes of the Colombians. The payment by the United States, however, of the \$25,000,000 voted by Congress, has done

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THE EDITOR.

much to show Colombians that Americans, as a whole, are fairminded. It has opened up opportunities that have been denied to us heretofore.

Immediately after the payment of the first instalment, the Government of Colombia requested the State Department to assist them in forming a commission of financial advisers to go to Colombia, study their financial system and make recommendations for its improvement. Professor E. W. Kemmerer of Princeton was asked to head this commission. His chief interest was in banking and he asked the writer to assist in this field, particularly on the practical side. Professor F. R. Fairchild of Yale became the specialist in tax matters, and Thomas R. Lill, a certified public accountant, took the lead in accounting and government reorganization. The commission acted in all matters as a body and all measures presented by it received the consideration of the commission as a whole.

The commission arrived in Bogota on March 10, 1923, and within twenty-four hours was established in its office

and hard at work on the problems facing it. The President called a special session of Congress to consider the recommendations of the commission. This Congress convened on May 28 and remained in session until July 20.

The commission presented its recommendations in the form of projects of law or bills. Each project was accompanied by an "Exposición de Motivos" or statement of the reasons for presenting each article of the bill. Each project and "Exposición de Motivos" was printed and given wide publicity as soon as it was presented to Congress and the public was thus fully informed at all times regarding the work of the commission.

## LAWS PASSED

The special Congress passed the following bills which were immediately signed by the President. (Officially designated as Laws Numbers 255, 45, 46, 20, 31, 34, 42 and 36 of 1923.)

### 1. Organic Law of the Bank of the Republic.

This law provides for the organization of a central bank of issue, discount and deposit, modeled after the Federal Reserve Banks but embodying many of the good points of the European central banks. The "Exposición" of this bill was really an economic treatise on Colombian financial affairs. The practicality of the measure was tested on July 23 when the bank was opened after but four days spent in its organization. It made loans at once to three banks that were in danger of being closed by runs, issued \$1,500,000 of notes, began selling exchange on New York in unlimited quantities at just enough above the par point to pay expense of shipping the metal and thus put Colombia on the gold standard in addition to stopping a panic.

### 2. General Banking Law.

It was evident to the commission that the central bank could not succeed if the commercial banks of the country continued to act under the law which existed for their guidance and it was decided to recommend the repeal of the old law and the adoption of a new one. The General Banking Law authorizes the incorporation of commercial banks with properly restricted functions and for the establishment of sections or departments of commercial banks to conduct savings business, trust business, and real estate lending. Foreign banks are given the same status in every way as domestic banks. A superintendent of banking was provided with wide powers of supervision of the banking business of the country including the Bank of the Republic. Congress consented to the appointment of a foreign advisor to the new superintendent.

### 3. Negotiable Instruments Law.

The Colombian commercial code contained adequate provisions for bills

(Continued on page 28)



# Insurance Specialties and Credit

## Credit Men Interested in More Than Life and Fire Insurance

By Henry Swift Ives

Casualty Information Clearing House, Chicago.

THE greatest incentive to that world-wide exchange of commodities and service, which has dominated the economies of the last century, has been the modern system of commercial credits. This development, however, would have been possible only in a limited way had it not been for the protection offered to capital by the institution of insurance. Indeed, if adequate and certain protection of persons and property by insurance should suddenly be eliminated, credit would largely revert to its ancient status and be extended only on a pledge of definite property accompanied by usurious interest exactions.

For centuries the idea prevailed that, "the borrower is the servant to the lender." In our time, however, the lender is just as often the servant to the borrower. Mortgaging and pawning in the realm of commerce has been to a great extent superseded by mutual confidence, and that confidence has been translated into terms of commercial certainty by insurance.

Insurance, in other words, has taken credit out of the pawn-shop stage of its history and has made a great department store out of it.

Much has been written concerning the relationship of insurance and credit. Hardly an element in the story has been overlooked in these discussions. One phase of this question, however, does not seem to have received much special attention. It has to do with the question as to whether the buyer and debtor has such a variety of insurance protection as will assure his solvency in the event of any disaster which may reasonably be expected.

When insurance and credit are discussed together the branches of insurance which usually come to mind are life and fire. In extending credit in a commercial transaction the vendor inquires as to the resources of the buyer and includes of course these two kinds of insurance in his investigation. These elements proving satisfactory, it often happens that little or no attention is paid to the other insurance needs of the debtor.

The complexities of modern life are such, however, that a debtor may have ample life and fire insurance protection, yet may be in constant jeopardy because of his failure to obtain protection against other hazards. In the "multiple" casualty lines, for illustration, there are many important coverages which often are overlooked by creditor and debtor alike, but which still more often have proved their worth in the maintenance of a sound credit structure.

Perhaps the most interesting of the multiple lines are the various forms of public liability insurance, but there are many other lines affording protection to business income, business property or



HENRY SWIFT IVES

legal obligations which also ought to appeal to the credit men of America.

Workmen's compensation insurance need not be included in this list. It is compulsory and those who extend credit need not worry about it, except, of course, to see to it that it is provided to the debtor by a sound and substantial carrier, whose capital and resources give guarantee of its capacity to meet all obligations not only today but ten years from today. This warning as to strength of resources applicable to insurance liability also extends to all kinds of property or business insurance, and particularly to such forms as involve deferred liability and the consequent requirement of certainty of protection extending over a period of years. Experience has pointed to the fact that sound and well established stock companies in the field of property and business insurance always can be relied upon as continuing going concerns.

As a general thing, the larger mercantile and manufacturing enterprises are fairly well covered by the various casualty lines which they seem to require. But from the standpoint of the credit man, even if there were not sufficient coverage carried by these larger concerns, their financial responsibility seldom would be affected by any catastrophe which might be guarded against by these forms of insurance.

### ELEVATOR INSURANCE

All great department stores carry passenger elevator insurance in substantial amounts. It is a good business practice. But no credit man would question the financial standing of any

store in this class on account of the hazard involved in running uninsured elevators. He would know that the company would be able to pay any possible loss without an excessive strain on its resources.

But the credit men for several furnishing houses were negligent when they did not inquire as to the elevator insurance carried by a new hotel in a small western city. The building, a five story affair, has been erected by local capital and was heavily mortgaged. Shortly after the place was opened the elevator fell, killing four persons and injuring several others. Judgments were obtained aggregating \$65,000. There was no insurance. The result was bankruptcy for the hotel and a substantial loss to the houses which equipped it.

A large city hotel could have weathered such a storm. In order to avoid a loss of this kind the credit man need not watch the big fellow closely, but he must constantly be on his guard to see to it that the little fellow is adequately protected.

In a New York suburban village a furrier, operating on a small scale for many years, decided to expand during the boom times in 1920. In the fall he put in an unusually large stock of expensive furs at peak prices, and, his reputation being high, he was able to get a good line of credit. The wholesaler insisted on an increase in the fire insurance to cover the value of the new goods, and this was furnished. Shortly after this transaction robbers entered the store, cleaned out everything of value, piled the goods in a truck standing in the quiet village alley and vanished. Bankruptcy for the furrier resulted, and his creditors got only ten cents on the dollar.

In this case burglary insurance would have saved both debtor and creditor. The wholesaler's credit man should have insisted on it under the circumstances. A large store could have survived. The furrier operating on small resources went under.

### SAVED BY A PUBLIC LIABILITY POLICY

In Chicago two young grocery clerks saved up a few hundred dollars each, pooled their resources and went into business for themselves in an outlying district. A supply of Christmas trees was obtained for the recent holiday season. They were piled on the sidewalk in front of the new store and gave them a thriving trade. On the evening of December 20 last a bundle laden commuter hurrying home stumbled over these trees. The fall resulted in a fractured skull, and other injuries, which for a time it was thought might prove fatal. The boy proprietors were

(Continued on page 22)

# What Allen Wrote to Nate

## Applying Ratios in Actual Practice

By W. H. Justin

Chairman, Credit Education Committee, Omaha Assn. of Credit Men

**N**ATHAN JENNINGS is one of the best salesmen working for the Midlothian Milling Co. He is one of those fellows who has lots of punch, and being a close student of human nature and having a thorough knowledge of his goods, is capable of putting across big deals.

Allen Bagley glanced up from his desk upon hearing the laughter that usually heralded Nate's approach. Allen is Midlothian's credit manager. He has earned quite a name for himself as being a trifle shrewder than the ordinary credit grantor.

Nate and Allen make quite a team; they are everlastingly "up and at 'em", Nate handing in orders galore and Allen analyzing them and passing them along with his monogram neatly done on the margin.

On this occasion Nate was unusually jovial; he grasped Allen by the hand, shook it vigorously, shoved Allen's spare chair up close to the desk, blew a cloud of tobacco smoke into Allen's face, knocked the ashes off his cigar into Allen's stock of correspondence, and otherwise made himself perfectly at home,—all the while talking a blue streak and attracting the attention of Midlothian's office force, eager to hear his latest funny story.

After the usual preliminaries he laid before Allen the evidence of his latest conquest,—an order for ten thousand barrels of flour signed by a firm that stood "ace high" as he put it. "Why", he said, "you needn't bother about getting any special reports from Dun or Bradstreet—what do they know about it anyhow; it's just a waste of time to ask your National Association to work up a report—a report doesn't mean anything,—just take my word for it, Allen, this company's credit is gilt edge—they've been in business since way back in 1900—when you were just beginning to wear long pants. If you don't think you can O. K. this order without a lot of fuss, why, by heck!, I'll guarantee that Midlothian won't lose a dime. Man alive, they own half of the town; their banker told me their word was all he wanted—wouldn't bother them about notes and mortgages and things—would just fork over any amount they might want and would be tickled to death to have their name on his books, security or no security.

"Why, Allen, just to show you that I'm no chicken at this credit game, (although I'm selling flour just at present), I had the president of this company—he's a special friend of mine, you know—give me a statement of his Assets and Liabilities, and here it is. Now, what does that look like to you, Allen? Just look at that R. E. & Bldg. Eighty-five thousand bucks. And look at the Accounts Receivable and Cash—Two hundred thousand—wouldn't that make your hair curl? Yes, and look at this Profit and Loss Account—Twenty-eight thousand. Did you ever see a prettier balance sheet, Allen? Look at the Annual Sales—a million and a quar-

ter! I wish I had just one tenth of this Old Gazabel's cash."

And while Nate was effervescing, Allen was giving the balance sheet the once over, making a mental note of a few things he saw at first glance. As a result of his casual examination, aided somewhat by Nate's impromptu harangue, he made up his mind that this Old Grocery Company's credit would get something more than the gentle pat on the back that Nate seemed so confident was due it.

"I'll tell you, Nate,"—Allen was choosing his words carefully,—"just leave this Balance Sheet attached to the order. I've got a lot of things here on my desk that need attention, but before I leave the office today I will get things cleared up and will be able to give this new order the attention that it deserves. I'm mighty glad you went into this firm's standing so thoroughly. It will help me in passing the order along."

"By the way, Nate, I understand you are going right out again on your territory, so more than likely I won't see you again for a month or six weeks. I will write you if I run against a snag in passing this order along."

And so Old Grocery Company's order for ten thousand barrels of flour with their Balance Sheet attached was left with Allen.

It was against the rules and regulations of the Midlothian Milling Company for anything to be held up long. That afternoon Allen settled down to a detailed analysis of Old Grocery Company's Balance Sheet. The more he analyzed, the deeper he became emmeshed in the maze of contradictions that presented themselves. Finally he made up his mind to write Nate in detail about it. Before entering upon the task he asked his assistant to request both Dun and Bradstreet to get special reports on Old Grocery Company and get the Interchange Bureau's Report. Then he patiently settled down to the business at hand.

The Balance Sheet as here given is Old Grocery Company's Balance Sheet with no chance whatever:

### OLD GROCERY COMPANY'S BALANCE SHEET

ASSETS	
Real Estate & Bldgs. ....	\$ 85,000.00
Fur. Fixt. & Eqp. ....	15,000.00
Merchandise .....	149,000.00
Notes Receivable .....	46,000.00
Accts. Rec. & Cash .....	210,000.00
Securities .....	12,000.00
Profit & Loss .....	28,000.00
	<hr/>

\$545,000.00

LIABILITIES	
Capital Stock .....	\$250,000.00
Accts. Payable .....	63,000.00
Notes Payable .....	201,000.00
Res. for Ins. ....	5,000.00
Acceptances .....	16,000.00
Checks issued but not cashed .....	10,000.00
	<hr/>

\$545,000.00

Annual Sales ..... \$1,250,000.00

Allen's letter to Nate read as follows:

Dear Nate:

There are so many things about Old Grocery Company's Balance Sheet that don't stack up exactly right that I am writing in detail about it, that you may know what I think about it and why.

There are a few things about this statement that hoist the red flag in the face of the man whose duty it is to grant credit. You know, Nate, a red flag usually denotes danger of some sort or other. It's to your interest, as well as mine and Midlothian's in general, to know how to detect and recognize the danger before we have gone off the track.

This Balance Sheet shows quick assets of \$407,000 and quick or current liabilities of \$285,000, a ratio of almost 1½ to 1, and since a ratio between quick assets and quick liabilities of 2 to 1 is the coveted goal of most trading concerns, I will concede that, so far, it is very nearly up to standard, as a going concern.

Now, Nate, suppose he pays off all outstanding liabilities (Capital Stock is not a liability); he has left, out of his quick assets only \$122,000. To this I add all the rest of his assets (his fixed assets) and I find that he has only \$222,000 as to his Net Worth, to stand against his paid in Capital Stock of \$250,000. In other words, he lacks just \$28,000 of having enough to liquidate the affairs of the company and give the stockholders par value for their stock. Refresh your mind with reference to the Balance Sheet; you find that item of \$28,000 on the asset side of the balance sheet under the title "Profit and Loss". That's one of the danger signals, to which I want to refer you. Whenever you see a Profit and Loss item on the asset side of a balance sheet, make up your mind, Nate, that it's a Net Loss, pure and simple.

Also, there is something about that "Accounts Receivable and Cash" account that invites a little frank criticism. You see over on the opposite side of the Balance Sheet the item of \$10,000 listed as "Checks Issued but not Cashed". Why, Nate, that's a joke! Away back in the early days, when Moses was a youngster paddling about in the bulrushes waiting for Pharaoh's daughter to throw him the life line, they might have done it this way. But to be frank about it, Nate, it's out of order these days, and the only reason on earth it's done is to bolster up the bank account—throw out the life line to the bank account, figuratively speaking. Now, here's what it means; the bank account is so small that they not only have merged it with the Accounts Receivable, but they have made their bank reconciliation and finding \$10,000 issued and outstanding—in the hands of creditors—they have had their bookkeeper, poor devil, make an entry to the debit of Bank Account to the credit of this farcical account "Checks issued but not Cashed". It's a wonder they didn't have him merge this item also; it would have been practically impossible to have

"caught on" if they had merged it with Notes Payable, for example. So let's throw this item out altogether, Nate, and speak of Accounts Receivable and Cash as only \$200,000 throughout this fine haired analysis I'm giving you.

But going back to that ratio of Quick Assets to Quick Liabilities, Nate, it shows up fine on this Balance Sheet; it's like a beacon light in the fog. It is known as one of four Static Ratios, and every authority on the subject seems to take it for granted that this ratio, when standing 2 to 1, is evidence of a healthy condition on the part of a going concern, but this ratio, while perhaps the most important, is only one of eight very important ratios that may be computed from a given balance sheet, and unless we take the other ratios into consideration we might just as well not bother with the Balance Sheet at all.

bank account, there is something about the business that is not in a very flourishing condition. But let's keep on:

Still another danger signal has to do with quite a different set of facts from those that attended the other danger signals. Please note O. G. C.'s Balance Sheet shows Capital Stock outstanding at \$250,000. He started in this business away back in 1900, I believe you told me. For twenty-three years he has been meeting the regular up's and down's of a commercial enterprise. Now, there are numerous ways to promote and finance an enterprise. This particular one no doubt first issued (and sold) stock for about \$150,000. When 75% of the stock has been paid for, they made their initial investment of practically \$100,000 for the location, buildings, furniture, fixtures, and equipment. This left them \$12,500 for initial

be \$222,000, and (on the surface) the debt is \$285,000, but please remember there is a Net Loss that really should be reckoned as a debt due to the stockholders themselves; therefore, the real indebtedness is \$313,000, hence the Ratio of Debt to Net Worth is 1.4 to 1; but the normal ratio of Debt to Net Worth is .33 to 1; therefore, O. G. C.'s affairs (in this respect) are only 23.6% normal. Putting it differently, I would say the creditors are financing this concern to a degree practically 4 1/2 times greater than is usually the case. We're somewhat in the fog, Nate, in spite of that beacon light.

So far I have considered three of the Static Ratios:

- (1) Current Assets to Current Liabilities.
- (2) Receivables to Merchandise.
- (3) Debt to Net Worth.

and I have found a few danger signals, haven't I?

## Analytical Ratios

	NEBRASKA GENERAL STORES AVERAGE	COMMERCE JOURNAL AUG. 1923 AVERAGE	BASIC CONCLUSIONS DRAWN FROM RATIOS AND WHAT THEY INDICATE
<b>THE FOUR STATIC RATIOS:</b>			
1. Current Assets to Current Liabilities.....	2.00 to 1	1.59 to 1	1. Margin of Safety to Creditors
2. Receivables to Merchandise.....	.32 to 1	1.98 to 1	2. Progress of Collections
3-a Total Debt to Net Worth.....	.33 to 1	1.32 to 1	3-a Margin of Safety to Owner, or Extent to which Creditors are Financing Company
3-b Current Debt to Net Worth.....		1.32 to 1	3-b Margin of Immediate Safety to Owner
4. Net Worth to Non-Current Assets.....	6.28 to 1	4.47 to 1	4. Excess indicates Owner's Working Capital
<b>THE FOUR VELOCITY RATIOS:</b>			
1. Sales to Receivables.....	9.67 to 1	5.45 to 1	1. Liquidity of Collections, or Terms of Credit Granted
2. Sales to Merchandise.....	3.10 to 1	10.79 to 1	2. Rapidity of Turnover
3. Sales to Net Worth.....	2.64 to 1	7.58 to 1	3. Visible Results of Activity of Owner's Investment, or Efficiency of Sales Organization
4. Sales to Non Current Assets.....	16.57 to 1	3.39 to 1	4. Company's Policy of Doing Business, or Efficiency of General Management
<b>INVESTMENT RATIO:</b>			
1. Annual Profit to Net Worth.....		.34 to 1	1. Owner's Annual Return on Investment
<b>LOSS AND GAIN RATIO:</b>			
1. Annual Net Profit to Sales.....		.045 to 1	1. Owner's Annual Return on Sales

The next Static Ratio in the order of importance is the ratio of Receivables to Merchandise.

Again, Nate, please refresh your mind with reference to the balance sheet. The Receivables, as shown on this balance sheet, equal \$258,000, while the Merchandise equals \$149,000; a ratio of almost 1 1/2 to 1. This is not a good showing at all. It shows either that the Old Grocery Company is granting unwise credit to his customers or that he is allowing his customers' accounts to go long past due. This ratio should be 1/3 to 1. That is, the Receivables should equal approximately 1/3 of the Merchandise Inventory, instead of being practically twice as much, as in this case. This feature of his business is only 18.9% normal. To put it in other language, his credits and collections are not only bad,—they are practically *five times* worse than they should be.

Maybe that's the reason he included his cash with his Accounts Receivable when he made up his balance sheet. That's another danger signal. Whenever a company tries to cover up its

working capital. But sledding was not so very good and from year to year, instead of being able to build up a surplus, they were constantly called upon to secure new working capital. They did this only by issuing the Company's notes to the extent of \$200,000, but actually issued additional stock, finally bringing the Capital Stock issue up to \$250,000.

There is another danger signal, Nate, when a company's stock outstanding is greatly in excess of its Fixed Assets, you may be sure the company is doing business at a loss, unless it has built up a substantial surplus to account for the excess of Stock issued, it is not able to stand on its own feet, and is practically borrowing money from its over-confident stockholders in order to "carry on".

Now, so far, I have had a good deal to say about the Static Ratio No. 1,—Quick Assets to Quick Liabilities, and No. 2,—Receivables to Merchandise.

Now, let's take a shot at No. 3, the ratio of Debt to Net Worth. The Balance Sheet shows the Net Worth to

I am now ready to look at Static Ratio No. 4, "Net Worth to Non-current Assets". In this respect O. G. C.'s Balance Sheet shows a ratio of 2.22 to 1 while the normal ratio is 6.28 to 1. The showing as regards this feature of his business is only 36% normal. Net worth is only 1/3 of what it should be as compared with Fixed Assets. Something has been sapping the strength of the company—what is it? Has it made great profits and put the surplus earnings into Improvements and Betterments? No, as pointed out previously, the original stock issue covered the outlay for Permanent Assets, and it has a Net Loss of \$28,000, so I must conclude that the General Management of the concern is not functioning properly. The company started in right at the beginning to cut too wide a swath—put over \$100,000 into the fixed assets to start business and has only \$12,500 left as initial working Capital.—No wonder interest charges were so heavy, the concern lost money every year instead of making it,—you must remember,

(Continued on page 34)



## With The Editor

### After All, It Is Business That Makes Banks

**B**EFORE this issue of THE CREDIT MONTHLY reaches its readers, there will have gone to every banker in the country,—about 30,000 in number,—and to every concern which is a member of the National Association of Credit Men,—about 31,000 in number,—a pamphlet which describes a plan worked out by the Association for the maintenance of a one hundred cents on the dollar check by the bank drawn upon.

Needless to say, the Association stands squarely against deductions of any sort in the payment of obligations, whether these deductions be made through unearned discounts, by unfair return of merchandise, by unjustifiable claims or by deductions made by the bank drawn upon. Orderly business requires the one hundred cent payment, and the Association par plan is prompted simply by a desire for fair orderly business under which to every man is rendered that to which he is entitled.

Furthermore, the Association, in formulating this plan, but pursues its traditional line. It asked of the framers of the Federal Reserve Act that arrangements be made for the par check. It fought later to preserve that portion of the Federal Reserve Act which gave the par check the overwhelming leadership. Now it asks business to do the essential thing, namely to speak in volume its desire, its preference, its demand for the check that is paid at par.

If the retreat of the par check is to be prevented, if the ground gained is to be held, if further ground is to be gained, it must be through the individual business men of the country speaking clearly and persistently for the par check. Business men should remember that business was before banks were, and that it is business that makes the bank, not the bank business.

Every business man is urged to read the pamphlet containing the Association's plan and the reason for the plan, and then to become a torch bearer in behalf of the par check.

### "Go-Getter" Does Not Tell the Whole Story

**W**E have a liking for the sort of word or compound word that gives in high relief the most striking characteristic of a man. For instance, a ceaseless impetuous worker, used to be called a "hustler" later a "live-wire" and now more likely a "go-getter." All are picturesque words and all are intended to describe a trait that promises success. They all connote rapidity of action. Perhaps "go-getter" has the advantage because it carries a sense of better directed action than either "hustler" or "live-wire."

Credit men hear the terms more than they use them. The salesman will use them twenty times while the credit man uses them once. When the salesman applies "go-getter" to a customer

he feels that he has given him the qualification that closes all lines of inquiry.

But for the credit man it is not sufficient that a salesman's customer be a "go-getter". Indeed the credit man is inclined to put such a customer down for special investigation; he is likely to be prompted by more than curiosity to get his statement and examine against possibilities of inconsistencies and ill adjusted relations between important items.

The difference between the sales and credit viewpoints is not mere contrariness on the part of the credit man. It is not that the credit man fails in appreciation of the characteristics that give the "go-getter" his description, but that the credit man must apply many measures to a credit risk which except to the unusual salesman are vague and meaningless.

It is for this reason that the vocabulary of the credit man contains fewer breezy descriptive appellations than that of the salesman. These striking words fail in supplying more than one dimension of the risk and in all considerable credit risks at least the fourth dimension is to be found as well as the height, width and depth.

### Archaic Attitude Toward Credit Men

**T**HERE is a growing feeling among credit men that may be called *professional* or is perhaps better described as merely *distinctive*. This feeling cannot be suppressed and business will be the better for its encouragement and development.

Impelled by this professional feeling, credit men are drawn together; and as a result there emerge group expressions which they form as ideals for individual and group action.

The outstanding thing that has grown out of the credit man's step toward his professional or distinctive place in commerce is a sense of co-operation with one another both for making safe business and for reducing threatening losses.

This new sense—for it is new—is outraged when stupidly or brutally interfered with. For instance, a group of credit men spend more hours and days than they can in justice to themselves spare in the working out of a problem,—let us say the problem of a large composition or extension agreement. They are confronted by the head of a house, whose account is large enough to affect the situation materially, with this statement: The matter is out of his hands; they will have to see his attorney; his credit man is little more than a clerk; and that it is he, the proprietor, who determines all matters of this nature in his house. The feelings of the credit men are outraged. They care not so much for the case in hand as the stupid, brutal and archaic manner in which the man has taken his fling at the whole credit fraternity and consigned it to an inconsequential position.

This sort of thing still happens. It is due partly to the credit man's unwillingness to assert himself, and partly to the fact that the man whose word is law has no appreciation of the contribution which vigorous, intelligent credit service is doing for business in general, and indeed for every house which has given due consideration to the part which successful credit work plays in the up-building of a business.

Every man has his credit measure. Influences are constantly at work to alter the measure. To determine this measure with a skill that spells at once safety and volume calls for close application, eternal vigilance, calm, clear and systematic methods. The house that fails to appreciate all this is forever in danger, indeed it is likely to pass out prematurely.

### A Business Lesson from the Serene Orient

**W**HEN we see with what simplicity and good-will settlements between man and man are reached in China, even in cities of considerable size, we wonder at the technicalities with which we have surrounded our appeals to courts.

The setting of the picture is in one of the sections of the temple which is both the center of worship and community life. In one corner is a table spread with a silken cloth around which are seated the two or more disputants and the "gentry" drinking tea. The usual salutations said, the case is presented by each side. The "gentry" in quiet dignity between his sips of tea asking questions bearing upon the points at issue. On the full presentation of the case the "gentry" makes his decision and it is final, sustained by the weight and force of community feeling, for the gentry is held in complete confidence.

We have nothing quite comparable with the Chinese method. Even our Courts of Arbitration are elaborate compared with the gentry's court. Nor, under our arrangement, are we certain of the finality of the decision that is presented before our court. The "gentry" is not a judge, he is a citizen of public spirit and unimpeachable virtue. He may be engaged in trade or a tiller of soil. He is likely to be treasurer of the temple. Under him, if the community is large, are coming along junior "gentries" preparing to take the senior's place.

The writers of our Constitution gave profound attention to the judicial department of the Republic because they realized that if that department were not established upon a foundation of complete confidence their hopes for the new land of freedom would be early shattered. It may be fairly presumed that the permanency of China's national life, which dates back to the early days of Egypt's supremacy and was moving along with a certain majesty through the golden days of Assyria, Greece and Rome, is to be accounted for in the justice and simplicity of her method of settling disputes.

# Has Your Senator Heard from You?

This Letter Was Written to Senators James A. Reed (Mo., Dem.) and Selden P. Spencer (Mo., Rep.)

By F. A. Baker

Pres. and Treas., Ridenour-Baker Grocery Co., Kansas City, Mo.

**M**Y DEAR SENATOR: In regard to Federal taxation: If the present Congress does not substantially reduce the Federal Income Tax either on the side of excess profits, or on some other side, the people in this section will be bitterly disappointed.

The tax burden is our chief obstacle to a return to prosperity. It affects every channel of business and industry; indeed, it affects everything in our economy. Any progress this country has made since 1918 has been in spite of our tax burden, and we have staggered as we stepped forward. Of course, taxes are not all Federal, but it is with the Federal Income Tax that you are now called on to deal.

Our plan to "make the unco' rich pay for the war" has met with the same dismal failure as did the efforts of the hands and the mouth when these members undertook to starve the belly into submission. Big capital has always a haven of refuge in tax exempt securities, and it cannot be smoked out in this generation. The mass of the people and small business are carrying the intolerable load.

If a party wishes to gain the everlasting gratitude of the American people, it will join in any plan, and be the cheerful ally of any persons who will work sincerely to lift the tax burden from our shoulders—be the plan called "Mellon's" or by some other name. "Mellon's" is perhaps the best plan yet outlined; or perhaps it has been presented to us in the best way. But what's in a name? We want relief from a tax burden that is disheartening.

## BONUS ADVOCATES MORE NOISY THAN NUMEROUS

As to a "Soldier's Bonus": Everybody favors a most

liberal treatment of disabled soldiers and their dependents. For this purpose the American people spend millions without a murmur. But the Adjusted Compensation law, so-called, now before Congress, is opposed by the mass of tax payers, and, what is more to the point, we believe, the mass of the voters. Its advocates are more noisy than numerous, as a poll of any community will demonstrate. The pro bonus orators have no great loyal organization behind them, as they profess. Indeed, they have the primary need of a good idea. No thrills, or true bonds of fellowship can be gotten out of a vulgar raid on the public purse. "Pay us a Bonus," can never become a good political slogan.

Truly the present bill is well named by the public "The Bonus Bill". Bonus, something given where the reason for the gift must be supported by ingenious argument! But even the honest advocates of the Bonus measure miss the road to follow. If their object be to help the young men (now of sound minds and sound bodies) who went to the colors in 1917-18, if actual, permanent help be their aim, then let them try to put the country on a wholesome business basis, and then any man willing and able to work will get his full share of the common prosperity; and, believe us, his share will be much greater than the few dollars he would get from the Adjusted Compensation measure now before Congress—a measure which not only threatens to block any substantial reduction in Federal taxes, but, what is as bad, if not worse, serves as a most dangerous precedent for generations to come.

Now is the great opportunity. If we do not show ourselves the genuine friends of tax reduction, we will suffer overwhelming defeat—and we will deserve it.

## False Statement Lands Tire Dealer in Pen

By C. D. West ("Zephon")

Mgr. I. & P. Dept., Natl. Assn. of Credit Men

**W**ILLIAM STEINSNYDER was in the automobile tire business in Baltimore for several years. He had established an excellent credit standing with tire manufacturers. In the winter season of 1920-1921 he bought large quantities of tires, obtaining the credit on financial statements showing a net worth of \$82,263.32. He failed to meet his obligations when due and an involuntary petition in bankruptcy was filed against him on March 14, 1921. He was adjudicated bankrupt and his schedule showed liabilities for merchandise \$138,737.61 and for borrowed money from various sources \$112,600.

An investigation followed directed by the Investigation and Prosecution Department of the National Association of Credit Men. Through the department's work it was discovered that Steinsnyder had withdrawn from his business within six weeks prior to the filing of the bankruptcy petition more than \$90,-

000 in cash obtained by storing the new tires and hypothecating the storage warehouse receipts. The bankrupt had so well concealed the cash he had withdrawn from the business that it could not be located. His only explanation of its disposition was that he had lost it on the races by plunging on tips that went wrong.

Growing out of the bankruptcy proceedings, Willis E. Myers, referee in bankruptcy, signed an order requiring Steinsnyder to turn over to the trustee \$50,000 in cash and \$26,000 in merchandise for which the bankrupt had failed to account. He did not comply with this order and was committed to jail for contempt of court by Judge Rose. After serving six months he was released because of the condition of his health.

The National Association of Credit Men kept after the matter persistently and finally submitted the results of its investigation to U. S. District Attorney Amos W. W. Woodcock, James T. Carter, Assistant U. S. District Attorney, placed the matter before the Federal Grand Jury for the District of Maryland on January 29, 1923. Steinsnyder was indicted, under section 215 of the

Federal laws, for using mails to defraud by means of alleged false financial statements. A bench warrant was issued for his arrest and he was arrested at Bridgeton, N. J., January 30, 1923. He was taken before U. S. Commissioner Smith at Salem, N. J., and released on \$5,000 bail for his appearance in the U. S. District Court at Baltimore. At a hearing he entered a plea of not guilty.

His trial was set for June 19 in the U. S. District Court before Judge Soper. Counsel for Steinsnyder appeared and presented affidavits from physicians and others at Brighton, N. J., to show that the bankrupt was physically unable to appear for trial. Judge Soper postponed the case until the fall term. Steinsnyder then pleaded guilty. Upon hearing the statements of the U. S. District Attorney and the Trustee, the court remanded Steinsnyder to the custody of the U. S. Marshal and reserved sentence.

On December 21, 1923, last, Steinsnyder was sentenced to serve a term of one year and one day in the Federal Prison at Atlanta for using the mails to defraud creditors as charged in the indictment returned by the Federal Grand Jury on February 29.



# The Credoscope

By J. H. TREGOE

## A BUILDER OF MORAL VALUES

When the National Association of Credit Men entered upon its career in 1896, there was great need for the building of the material values of the Nation. We had struggled persistently against deficient productive capital and inadequate buying power. One of the most interesting of all the interesting features of our history is the struggle against odds under which we built up our material powers and finally acquired a strong domestic capital position.

In 1850, after 61 years of national life, our wealth was appraised at a little more than 7 billions, or \$307. per capita. In 1880 our wealth had increased to \$43,642,000,000. or \$870. per capita. In 1896, the nation's wealth approximated 80 billions, or \$1000. per capita. We were feeling in 1896 the urge of a latent wealth that needed but capital for its realization; yet the deficiencies in our banking and currency powers had brought about a reduction in prices continuously from 1884. Since 1896, when the National Association of Credit Men was organized, the Nation has made wonderful strides. Its industrial development is difficult to comprehend, its capital facilities have broadly expanded and its wealth increased to the point where it is now assessed at 300 billions or approximately \$2,800. per capita.

Having added wonderfully, as we must concede, to our material values, we are now directed to the need of building moral values. What we have gathered together in capital and wealth must be rightfully used and carefully preserved. It is easier to pull down than to construct, and there is no force so destructive in the material and spiritual world as lax morals.

We use the word, morals, in a commercial sense, for in the field of commerce it plays as important a part for permanency and progress as in the social and spiritual world. The moral value that should first be emphasized and striven for, as a permanent quality in our commercial relations, is justice. The rights of others must be recognized as fully as we recognize and demand our own rights. The rights of others must be defended. Specifically, for instance when a purchase has been made upon a clearly understood agreement as to conditions and terms, the agreement should be carried out by seller and buyer, no matter what disadvantage or what loss may accrue to either. Credit obligations must be respected if justice is to be preserved. If the privilege of discount is allowed at a specified and understood time, to take the discount after the expiration of that time is not just and breeds lax morals.

In the whole field of commerce, justice must be the dominating note, and for this high ideal the Asso-

ciation should strive with undiminished courage. Misunderstandings and misinterpretations may occur in sales and credit agreements. No difficulty should be encountered in adjusting these misunderstandings, but where conditions are clearly stated and clearly understood, they must be complied with in order that America's business may exert its proper influence and encourage in other fields of social contact a sense of justice without which it is difficult to survive.

When we consider that the first real traders of history, the Phoenicians, failed largely because of the deceptiveness of their methods and that the Ancient Greek could not maintain his commercial supremacy because men lost confidence in his word, it should not be deemed impossible for us, despite our superior position, to lose our place in the race. Should immorality characterize our commercial relations, should our sense of honor and justice among men decay, our progress will be turned into retrogression. Only as we are builders of conscience as well as commerce are we to maintain and extend our favorable position.

The National Association of Credit Men must never fail to emphasize the importance of conscience and justice to our commercial well-being.

## THE POWER OF CREDIT

It seems like a simple operation to purchase a small article on credit terms. It is easy when buying something of the retailer to say, "Charge it." This mystic phrase, however, under which a transfer of commodities is made on a mere promise, reflects a power that may absolutely destroy him who uses it unwisely.

For generations men lived without any knowledge of the circulation of the blood. Natural laws governing the arterial system of the human body were in operation but people were ignorant of them and contravened them constantly. Similarly credit as a convenient system for facilitating exchanges and building capital has been operating without its beneficiaries recognizing its wonderful laws and powers.

It is urgently important that there be aroused in the public mind and among business people particularly, a deeper interest in credit and a realization that its powers may be either constructive or destructive. Nothing is more beneficent nor produces more satisfaction than credit when properly used: conversely nothing produces greater unhappiness or so surely defeats human efforts as credit improperly used.

Three years ago, Austria, reduced to the boundaries of the old Duchy with a greatly decreased population, and deprived of its chief industries, presented to the world a pitiable aspect. Only small hopes



were felt for its economic regeneration. The printing presses were constantly at work; paper kronen without any underlying value or promise of ultimate redemption were circulated in unlimited quantities. Their constant depreciation added to the misery and hopelessness of the situation.

A change came immediately when credit was placed under wise control, and from a hopeless condition, Austria has become a land of promise. The transformation took place because its leaders began to harmonize the country's operations with economic law.

Stabilizing the krone at about 70,000 to the dollar, and determining that there should be no future issues unless they are entirely covered by gold exchanges, the people at first experienced hardship in the cessation of the money supply, but upon the new basis, recovery has gradually come.

To meet conditions economies in governmental expenditures were necessary, so that from a virtually hopeless budget, the Director of Austria's finances, Dr. Zimmerman expects that the budget will be balanced by 1925. The Austrian Central Bank's ratio of gold and foreign exchange balance was 35 per cent. in May of 1923 and 55 per cent on November 1. This recovery in the reserve can be ascribed largely to the loan of 125 millions made to Austria by international bankers which of itself was merely a cog in the credit wheel. Under the influence of a stable money issue, increased reserves and a promised balancing of the budget, the savings of Austria are rapidly mounting and the regeneration of the Republic is nearly assured.

A more vivid illustration of the powers of credit than this can scarcely be formed. Our own history presents many evidences of credit power and the building of its material resources. The economic ills we have been forced to bear in the past four years may be traced to the same cause, and for reasons allied to improper uses of credit.

It is well for us to understand a facility that contains within itself so much inherent good or evil. How desirable it is to use this facility in such a way that good shall result! Whenever we enter upon the simplest credit transaction we may well reflect that it is but a drop, perhaps, in the reservoir of credit, and yet is a part of the system, and the manner of its use will be reflected in that system as surely as the dropping of a small pebble is reflected in the smooth surface of the protected mill at the quiet hour of day-break.

### THE COURTS AND THE JUDICIARY

In the co-ordinate departments of our Government, the judicial is the keystone of the arch. Without any outstanding precedents to follow, the Constitutional Convention was divinely inspired when determining upon the make-up of a court system to interpret the laws enacted by the legislative and executive departments. These provisions and the wholesome part played by the courts in the development of our political, business and social life have thrown about our court system a sanctity which I sincerely hope may never diminish.

The Judiciary reflects the high regard in which the courts are held. Being human, the Judiciary is susceptible to error; but with no class of public servant is it so important to abstain from all appearances of evil, maintain a wholesome humanity and administer justice without fear, favor or prejudice as with the Judges.

We recall that on December 12, 1821, when the de-

cisions of the Supreme Court of the United States in the case of *Cogen vs. Virginia*, and *Green vs. Biddle* were handed down, Senator Richard M. Johnson of Kentucky introduced a resolution to curb the power of the court in certain cases. This was the first attack made in Congress on the Constitutional powers of the Supreme Court. The effort failed and all later efforts of a similar character have failed.

We should take into account that the power of the court must not be made the subject of legislative controversy. Whenever defects are discovered or the judges are complained of, public opinion can do more than legislative action to bring about reforms. Nothing is more dangerous, in my opinion, than to have suspicion prevail that judges use their powers for preferment of any kind or to favor those who may have favored them.

We feel deeply the need of maintaining the very highest respect for our courts and our Judiciary. These comments have no other purpose than to check any tendency toward disrespect or any tendency in the Judiciary to the misuse of power. Our institutions will endure so long as the sanctity, honor and justice of our courts endure.

### CREDIT MORALS

It is easily perceptible that rapid changes in prices affect morals and lead to practices that would never be thought of under stable business conditions. Cheap money never failed to affect morals. Of this fact we have had vivid proof in countries that but recently indulged in cheap money.

Credit has become the exchange medium of business and no less is the influence of cheap credit than the influence of cheap money. We possess right now the largest credit facilities of our entire history. This situation has encouraged the belief in some directions that another period of inflation may be looked for. Inasmuch as history repeats itself, these expectations are justified on historical grounds.

At the sluice gates of the big reservoirs of credit, however, greater prudence and intelligence are on guard than in former days, which fact as I believe almost reassures us that a new inflation period based upon our large store of credit is not imminent. I sincerely hope this is so because nothing in the whole domain of business is so subversive of morals as cheap credit.

Take an actual illustration: A dealer in tires, who, by some hook or crook, secured more than \$100,000 worth of this commodity on credit terms. Desiring a quick turnover, he borrowed one-half of the purchase price on the pledge of the tires, paying the loaning company a very handsome bonus for the loan. The National Association of Credit Men was called upon to investigate the case, with the result that the debtor will spend a little while in confinement where we hope his morals may go through a course of repairs.

If credit had not been cheap, if it were not possible for a man of this stripe to obtain commodities indiscriminately, he would not have felt the temptation to trade on the credulity of credit departments and to try to get away with big game.

No one wants to hurt a fellow human being. If we place loaded fire-arms in the hands of a child and an accident follows, we are to blame. Similarly if we place commodities in the hands of undeserving people on credit terms, and an accident happens, we are to blame. There is a direct relation between credit and morals. When credit is easily obtainable, morals are weaker and creditors are unquestionably accessories to the crime.

# Accounting Machines

## Their Efficient Use by Credit and Other Departments

By E. T. Fanning

**T**HERE are sound reasons why in certain respects, the credit man of every active organization and the manufacturer of a meritorious efficiency device have a common interest in seeing that wider use is made of such aids to business. The credit man by the especial nature of his calling is continually called on for advice of a constructive character and the judgment he can exercise by reason of his wide knowledge of business procedure. His unflagging interest in all the new and better ways of doing business trains him to be highly appreciative of devices and appliances that ensure economies and speed up the work of the office. The credit man recognizes that the inventor or maker of such business-helps rests the case for his product squarely on the proved service the product can render the community.

The growing use of mechanical appliances the past few years, has not been one, as many seem to think, due to the shortage of office-help experienced during the late war, but on the contrary, because the closer competition of recent days has brought about a much keener appreciation of the need of more effective business methods.

### OFFICE MACHINES MISTAKE PROOF

One of the stock objections the maker of mechanisms for office work is continually meeting, is that because his appliance is a machine, it must necessarily call for a mechanic or someone with a knowledge of machinery to operate it.

As a matter of fact this objection is one of the first considerations the manufacturer has in mind before attempting to market his device. Knowing that the clerical worker is rarely ever acquainted with the working of even the simplest kind of a machine, the device in practically every instance is designed and planned to give accurate results with even the most inexperienced handling. The result is that the average office machine or appliance is as near mistake-proof as human ingenuity can encompass. And it is the accuracy of operation which constitutes the chief merit of such mechanisms, although they are generally sold on the basis of the economy involved.

Wherever the cost of the work done in an organization can be cut it is, or should be, an imperative duty with every one attached to the business to accomplish this purpose. And this also applies to replacing any obsolete device by an improvement that does the same work more economically, or even guarantees a small amount of increase in production. If you will take a pencil and paper and figure it out it will be found that almost any of the improved office machines or appliances will save ten per cent of their cost to operate or give ten per cent greater amount of output over any old-fashioned, or worn-out model it replaces. The difference between what it costs and what it saves is the logical index of its value.

Office managers are sometimes likely

to hang back and often pass up the opportunity of installing new equipment, forgetting the reduction in cost of doing the work the mechanism will produce.

An office machine costing, say for the sake of example, \$1,000 more than the obsolete worn-out model it replaces, will call for accounting entries such as \$100 for depreciation, \$60 for interest and \$20 for insurance. This totals \$180 for the year, paid for a saving which at the minimum will amount to \$300, leaving, if the profit is figured, a gain of \$120.

### AUTOMATICALLY ASSEMBLING FACTS

Management by facts deliberately and systematically sought for is responsible for the importance attached to mechanical means to replace manual labor in the assembling and classifying of data.

The several types of analysis and auditing machines especially adapted for this work are not as familiar to the public as the more ubiquitous calculating machine. Unlike the latter, they are intended for tabulations of a complex nature, where a number of factors must be handled in group interpretations.

The purpose in using these machines for analysis and inquiry into the constantly assembled figures, is based on the idea that this interrogation to be effective must push inquiries into every cranny and convolution of the business process if the accounting result is to be complete and serve as a barometer of the business. A photograph of an active going business cannot tell all the facts about its conduct. It is only when a series of such pictures, represented by the figures of the daily operation of a business are compared, day in and day out, that they begin to have value for the purpose of management.

### TYPES OF ANALYSIS AND ACCOUNTING MACHINES

While there are three principle makes of machines for the purposes their title suggest, two of them closely resemble each other in the manner of operation, while the third of these makes functions entirely different, by key printing the record of the data computed by the machine.

The original purpose of the tabulation and sorting machines was to meet the statistical requirements of the Government in compiling Census records. Tabulating methods are affected by recording the information by punched holes on a standard sized card, dividing into 45 columns for noting the data: similar in effect to writing a series of facts connected in groups or congeries on a memorandum card.

It is the punched holes in the cards that make their manipulation possible, (in 2 of the makes) the operation is effected by electrical (and the third) by mechanical contact.

The perforations are made by means of punching machines operated with a key or slide keyboard. This punching

of cards does not necessarily call for the need of strength of hand, as boys and girls can learn to do this work in a short time and attain a speed of from 250 to 300 cards an hour. As a detector of errors and to verify the accuracy of the perforations made in the cards, either by a verifier or by use of the printed tape form from the printing tabulator, the failure of the punched holes to register is made apparent by these devices.

In the sorters used for arranging the cards in their proper sequence, while the results are the same, they differ in shape in the two makes indicated, one sorting the cards horizontally, the other working on vertical lines and dropping the sorted cards into their proper compartment. Following this the cards are fed into the tabulating machine, the results of the figures the punched holes in the cards represent computed and printed in final form by the adding and printing units.

### WHERE SALES AND CREDITS TIE UP

As the accounts receivable ledger, the back-log of the credit man's job, is actually a debit and credit of the sales made by the organization, the factors affecting the costs of these transactions must be known in order to properly gauge conditions and possibilities.

For this reason the experience related by the financial man of the largest corporation in the moving picture industry may help to explain the wide use of accounting machines in making sales and credit analysis.

The other day, in speaking of the results obtained from the installation of analysis and accounting machines, this official stated:

"At the time we had decided to adopt the mechanical system, we were employing a force of thirty people. The work required the sorting out and analyzing of the sales reports received every day from the twenty-seven branches of the company throughout the United States.

"Shortly after we had the machines put in, we found we could dispense with many of the clerks previously employed, and today, despite a great increase in the amount of the report material being constantly received, the work is done by twelve people instead of the thirty we previously employed. The use of the machines enable us to complete our posting totals clear up every day. The saving in clerical hire we estimate to be around \$17,000 a year."

The use of mechanical auditing to analyze accounts payable is also now satisfactorily proved in the financial department of one of the widest known department stores in the East. This concern had a force of women and girls occupying the best part of a floor to assemble and classify the accounts payable slips, and records, coming into the department at the rate of 700 a day or over 4,200 a week.

The type of machine installed was of  
(Continued on page 44)





## Favor Mellon Taxation Plan

(Continued from page 9)

high prices. One large element in these high costs and prices is the burden of taxation. A lessening of this burden would lower prices and lower the high cost of business. It would increase savings and thus assist in the building up of our capital.

"(2) Railroad and industrial securities suffer through the competition of tax exempt securities. The adoption of Secretary Mellon's plan would on the one hand release capital for industrial enterprise and on the other hand curb the extravagances of our local and State governments.

"(3) Indirectly and directly these credit men are interested in the main-

tenance and development of our foreign trade; indirectly inasmuch as this foreign trade provides a necessary outlet for our surplus goods for business as a whole, and directly as our foreign credit managers see in it a valuable stimulus to exporting houses.

### EFFECT ON OUR FOREIGN TRADE

"Furthermore the time will come," continued the credit men's spokesman, "when European budgets will have to be balanced and when the financial machinery of Europe, now so sadly out of gear, will once more function effectively for the production and distribution of European commodities. When that time comes, it will result in increased production and distribution of these commodities and therefore in increased competition for American commodities.

## THE CREDIT MONTHLY

"The nationals of most of the European countries engaged in foreign trade are completely relieved of tax burdens originating in the mother country. This advantage added to that of increased production and lower prices will tend to render more difficult American competition from our exporters, who are burdened by heavy costs of taxation. Any reductions therefore in the tax burden are welcomed by these export traders as providing an opportunity for helping to dispose of our exportable surplus."

## Insurance Specialties and Credit

(Continued from page 13)

clearly liable. Fortunately, however, for all concerned they had adequate insurance protection under a public liability policy, and the insurance company will have to settle with the injured commuter. Under any other circumstances the new storekeepers would have been forced into bankruptcy. This insurance, it might be added, was not obtained because of any insistence on the part of the credit men of any of the wholesalers who had trusted these boys, but rather because one of them had previously worked in a store which had been put out of business by a similar claim. He knew the danger.

The insurance company records are full of other instances of the same general character. Many small merchants and manufacturers have been saved from insolvency by having adequate insurance against all the hazards of the business in which they are engaged, but many more have been wrecked because they personally were ignorant of what coverage they needed or because their creditors did not insist on such coverage for mutual protection. For the latter situation insurance agents are often at fault for not providing the right kind of insurance counsel for their patrons. There are altogether too many agents whose vision does not extend beyond fire and compensation indemnity, and who utterly ignore the more important "side lines" of the casualty business and even of the fire business.

In a keenly competitive field credit men often had rather take a chance than to insist on adequate coverage. And it often also is true that credit men themselves do not appreciate the importance of these so-called "side lines" and are even at times inclined to class them as more or less useless "trimmings".

### OVERBUYING INSURANCE

There, of course, always is the possibility of overdoing insurance buying, just as there is the possibility of overdoing any other sort of buying. Not all merchants need burglary insurance. Public liability insurance would be an extravagance for some classes of business men and a necessity for others. It is the business of the insurance agent to advise in these matters, but sometimes he is as derelict in this duty as is his customer in making inquiries as to what he reasonably requires.

The credit men of America can do much to assist buyers in getting proper insurance coverage in companies which are recognized as sound.

In the next article of this series I will discuss in some detail the question of public liability insurance and its relationship to the credit structure.

## The Experiment

### Its Use and Abuse in Business Management

Experiment is the re-creating life-blood of Progress. It is necessary when confined to new and unsolved problems in business management and control. But too often Experimenting is only another word for "Guessing"—blind striving after the right system or practice which already exists and which experience has established as exact knowledge. In such cases experiment is a costly and wasteful pastime.

Progressive Business is wisely guided today by the known results from a mass of individual experiments. Where the results of such experiments fit its needs, Progressive Business accepts them and, by putting them into practice, contributes to progress.

The most practical and useful results of individual business methods and experience—all that is best in business management and control—are visualized thousands of times in the practice of Ernst & Ernst.

Ernst & Ernst eliminate unnecessary experiment and contribute to better business today a service of exact knowledge based on long and practical experience.

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BOSTON	COLUMBUS	PITTSBURGH	ST. LOUIS	DALLAS
PROVIDENCE	YOUNGSTOWN	WHEELING	KANSAS CITY	HOUSTON
PHILADELPHIA	AKRON	ERIE	OMAHA	FORT WORTH
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Where efficiency counts—real money value efficiency—the Comptometer still leads. And the reason is, that it delivers more and better work with less effort and expense.

## *How seconds figured in the payroll*

Money is often won or lost on the race track by the fraction of a second.

Though less spectacular, it is none the less true, that seconds count in the business payroll—in the office as well as the shop.

A striking example of how it works out is seen in the following incident: An operator in a factory office using an old model Controlled-key Comptometer was making 16 time ticket extensions a minute—an average of  $3\frac{3}{4}$  seconds for each extension—or about 7,700 extensions in an eight-hour day.

Because of the quick, easy cancelling of the new model H Comptometer she was

able to cut the time for each cancellation by half a second.

That half second meant a saving of 8 seconds or 13% a minute. And 13% of her \$100.00 salary is \$13.00 a month or \$156.00 a year.

Now, if such a sum can be gained from seconds saved in cancelling, think of the hours of re-adding and checking columns for errors due to partial key strokes saved by the Controlled-key, which wholly eliminates all danger from that source.

Would you like to know how the Comptometer would handle your work? Let a Comptometer man show you.

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**ADDING AND CALCULATING MACHINE**

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has the  
Controlled-key  
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**SUPER-FOLDED FORMS**—are fan-folded forms with the edges trimmed.

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## Foil Payroll Robbers

### Give Each Employee Several Checks

By H. Uehlinger

Hilo Varnish Corporation, New York

WE hear and read frequently today of payroll holdups, especially in the larger cities. These hold-ups are conducted with a disregard for human life and a boldness and assurance of escape that has no parallel in the history of crime. The quickness with which escape can be made by high-powered automobiles has multiplied many times the difficulties of the police who cannot make up the loss of a moment in arriving at the scene of the crime.

In giving thought to the payroll problem, I have reached the conclusion that the solution lies in avoiding the transportation of large sums of money about the streets; and I suggest, first that the money be left in the bank where it belongs; and second that we play up to the employees' vanity, remembering that he does not want anybody to know what his salary or wages are.

My plan is simple and I believe effective. For example:

If a man earns \$30 a week, pay him in three checks of \$10 each drawn to his order; if he earns \$55 a week draw two checks for \$20 each and three for \$5. The checks are useless to anybody but the payee. He may cash one at the office where he is employed. If married he will give his wife another and may send one to the savings bank. If he has a bank account he may deposit one or more there.

In paying by check the added details laid upon the employer are counterbalanced by the advantage that the money is to remain in the bank longer than under the present system, which calls for cash payment for the total amount of the labor item. There is the advantage that the bank will be glad to hold the money just that much longer.

A more important point is that every check will have to be drawn to the order of some individual. This will tend to eliminate the losses, running into millions, resulting from "stuffed" payrolls.

Small checks are easily cashed. If the check is lost it has no endorser and is usually valueless to the finder. The manufacturer reduces the payroll cost, including payroll insurance.

The plan encourages thrift among employees because it has a tendency to bring him into frequent contact with the bank. Savings banks would accept checks as of the date that they were actually cleared.

There seems to be no reason why the man who earns \$20 to \$60 a week should not have the same access to banking facilities as the man of three times the income who carries his blank checks with him and cashes them as occasion arises.

An economist points out that the great function of the bank that distinguishes it from an ordinary loan concern is that it creates widely acceptable credits. There is progress when the bank check is an acceptable credit not only in the hands of business people but with the humblest employee in the large factory or store. Some instructions must be given him in making use of it and arrangements made that he may receive full value on his check, 100 cents on the dollar. But when he learns how to use these checks he will become more familiar and will take pride in his greater familiarity with banking usage.

## "To Our Borrowing Customers"

Under the above title the SECOND NATIONAL BANK of Toledo, Ohio, refers to an "incident deserving of universal consideration."

A little incident has just come to our attention which, we are quite sure, is deserving of universal consideration.

One of our customers, a borrower, with a good earning capacity and in good health, was accidentally killed. The search of his papers developed the fact that he carried no life insurance whatever and it devolved upon his wife and family to take care of his obligation at this bank. In his case it was not a large obligation, and will, undoubtedly, be cared for; but the moral of this is: Are you carrying sufficient insurance to not only protect your family, but protect your obligations? While we all expect to live forever, and most of us govern ourselves accordingly, it certainly would be a fine thing, in case of sudden misfortune, to find that the insurance company would step in and pay your debts, and your family would have the protection of whatever assets you have.

This is not a personal letter to you, and at the same time we want you to take it as such as to the merits of the case. If you have not enough insurance to protect your obligations of all kinds, we earnestly suggest that you take out enough while you are in the proper health to obtain it. We believe this is wise banking and sound advice. Think it over.

Yours very truly,

W. C. CARR, Vice-President.

All forms of BUSINESS LIFE INSURANCE for Individuals and Corporations to Protect Credit, or the interests of Partners and Survivors, and adaptable to All Contingencies which may arise in case of death, can be obtained in the

*John Hancock*  
LIFE INSURANCE COMPANY  
OF BOSTON, MASSACHUSETTS



ONE of the entries in the duPont books, made in 1804, contrasted with one of their current ledger sheets—done on the Underwood Bookkeeping Machine

The first powder mill in America, built by the founder of duPont.

Partial view of one of the present duPont powder mills.

## is no longer under "the Shadow of the Pen"

IN 1802, E. I. duPont de Nemours & Company opened their first ledger. One of its pages is pictured above. It records a sale of powder in 1804 for blasting a canal—long before railroads were dreamed of.

In 1917, duPont's Accounts Receivable were taken out of "the Shadow of the Pen" by the installation of the Underwood Bookkeeping Machine.

Today, fifteen machines are in operation; approximately 1,500,000 postings are made on them annually.

In spite of the huge volume and diversified nature of the duPont business, the month's accounting is completed within 24 hours after receipt of the final invoices from the branch offices.

Recently, the balances for Accounts Receivable ledgers (33 controls, comprising approximately 80 ledgers) were secured in two hours and ten minutes actual time.

There were approximately 45,000 postings made in the month on about 30,000 active accounts, in ledgers, and the same number on statements.



VIEW in the accounting office of E. I. duPont de Nemours & Co., showing the installation of fifteen Underwood Bookkeeping Machines.

The operators handle at least 8,000 postings monthly; each posting requiring on the average 40 key strokes.

Keeping books on Underwood Bookkeeping Machines enables E. I. duPont de Nemours & Company to:

1. Prove that all items are correctly posted as to amounts, on both ledgers and statements.
2. Prove that all items are accounted for, and that none are omitted from either ledgers or statements.
3. Prove that old balances are properly picked up on both ledgers and statements, and that new balances are correctly computed.
4. Prove that debit items are entered in debit columns and credit items in credit columns.
5. Prove that the items have been posted to the correct accounts.
6. Eliminate all trial balance troubles.
7. Eliminate the labor of making thousands of statements at the end of each month, as under Dual Plan the statement is ready to render immediately after the last entry has been made.

The Underwood Bookkeeping Machine substitutes mechanical accuracy for human fallibility. In every way it modernizes, it standardizes, it cuts costs. Underwood accounting, by lifting "the Shadow of the Pen", clears the vision of Executives and facilitates perfect control of the business.

Call in an Underwood Bookkeeping Machine representative. He will gladly give you expert advice on any accounting problem, without obligation.

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☐ Send Underwood Bookkeeping Machine representative from nearest branch office.

☐ Send a copy of booklet, "Taking Industry Out of the Shadow of the Pen."

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# Church Borrows \$3,000,000

## Banks Require No Collateral

### By George M. Fowles

Treasurer, Board of Foreign Missions, M. E. Church

THE General Conference of the Methodist Episcopal Church which is the law making body of that denomination, at its quadrennial meeting, in 1916, authorized the appointment of a Centenary Committee to prepare and carry forward a program for the celebration of the achievements of the Church along missionary lines since the organization of the Missionary Society in 1819. This Committee was charged with the responsibility of outlining a progressive movement for entering upon the second hundred years of missionary endeavor.

This Committee was duly organized with Dr. S. Earl Taylor as Executive Secretary and the writer as Treasurer. After months of preliminary study, a program was presented which provided for a survey of all the missionary work of the Methodist Episcopal Church, at home and abroad; an extensive educational program for stimulating missionary interest throughout the Church; a financial campaign to provide for a strong advance in our missionary activities; and a great Centennial celebration representing what had been accomplished during the past hundred years.

The final estimates indicated that the probable cost of this program would be in the neighborhood of \$3,000,000 and the Committee, especially the Executive Secretary, were quite disturbed at the problem of securing this immense amount of money. For a time it was felt that the program would have to be modified so as to come within a much more modest budget. The Treasurer of the Committee felt that so much was at stake that before abandoning the proposed aggressive and extensive program, a serious effort should be made to finance it. He requested a month's time in which to provide the necessary funds. As the Treasurer studied the situation it seemed to him that we had a good banking proposition and that it ought to be possible to finance the proposed campaign through the co-operation of several of the larger banking institutions in New York City.

Three outstanding banking institutions, the Bankers Trust Co., the Guaranty Trust Co. and the Equitable Trust Co., were approached on the subject and they asked some very proper and pertinent questions: "Who would sign the Notes?" The answer was

the Treasurer. "Who would endorse the notes?" The reply was that no endorsement was contemplated. "What collateral would be furnished?" The Treasurer's answer was that no collateral would be furnished. These answers were not satisfactory to the banks and the Treasurer was asked plainly if he felt that a banking institution would be warranted in giving credit without substantial endorsement and collateral security. The Treasurer stated that it was his conviction that he was not only presenting a perfectly good banking proposition but one that would be mutually profitable. He then attempted to show the banks why, from his point of view, the Methodist Centenary should be given this large amount of credit. His reason was as follows:—

The Centenary Committee was laying its plans and expecting to succeed in raising a total amount of \$105,000,000. They were willing to pledge the first \$3,000,000 of receipts to meet their obligations to the banks. The Treasurer raised the question as to whether the banks considered it probable that the duly authorized officials of a great Church would undertake to secure \$105,000,000 and not obtain at least \$3,000,000 of this amount. It was agreed that such a possibility was rather remote.

The Treasurer called attention to the fact that the Centenary Committee was created by the highest body of the Methodist Episcopal Church and authorized to carry forward the program. The whole Church, therefore, was responsible for the obligations incurred by this Committee.

This being the fact, if the campaign failed utterly and instead of securing \$105,000,000, the Committee failed to secure a single dollar, the obligation would then rest upon the four and a half million members of the Methodist Episcopal Church. The Treasurer then suggested that perhaps this represented the strongest secured paper that the banks had ever held in their possession.

The Treasurer further called attention to the fact that the proposed loan would be a good business investment. The banks spent annually large sums of money for advertising. Here was a chance to secure good accounts that would last for many years, for it was the purpose of the officers to place most of our extensive business with the banks that helped us to finance this campaign.

The Treasurer then stated that he felt he was offering the banks not only a gilt edge loan proposition, but in addition a proposition which would secure for them a first class customer.

After due deliberation, each of the three banks agreed to extend a million dollars to the Methodist Episcopal Centenary.

Out of these funds our Centenary program was financed. We secured subscriptions for \$105,000,000 and it is hardly necessary to state that the banks were reimbursed out of the first receipts of this campaign. Centenary funds coming to New York are largely handled through the three banks that came to our aid with their extension of credit.

## Isn't this what you've wanted?

There is no one connected with your company who is thoroughly informed concerning office equipment. There are hundreds of devices of various types, makes, models and sizes, yet, there is no information available concerning them except from carefully prepared advertisements and sales talks, both naturally partial, and designed to make up your mind for you.

Here's a volume that is a real, unbiased, authority. It gives you for the first time ever available, accurate, plainly written descriptions of every make and model of every kind of office equipment. Features, functions, capacities and selling prices, used machine valuations, names of makers, and all other pertinent facts are clearly given.

It answers every question of the man who is charged with the buying of business machines. It removes the hit-or-miss factor heretofore unavoidable. You can now know as much about every make and model as do the salesmen who call to sell them.

### There's Nothing Like It!

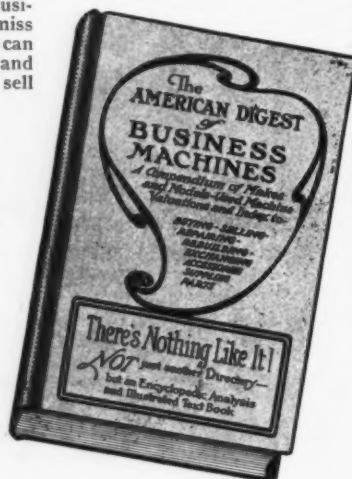
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## The American Peace Award

### What Do the Credit Men of the Nation Think of It?

By Regius Patoff

THE CREDIT MONTHLY has been asked to canvass its readers for their opinion of the winning plan submitted for the American Peace Award, for which Edward W. Bok has offered \$100,000.

"The best practicable plan by which the United States may co-operate with other nations to achieve and preserve the peace of the world", was chosen by a jury consisting of Elihu Root, Chairman, James Guthrie Harbord, Edward M. House, Ellen F. Pendleton, Roscoe Pound, William Allen White and Brand Whitlock.

In announcing the award, Mr. Root said, "It is the unanimous hope of the Jury that the first fruit of the mutual counsel and co-operation among the nations which will result from the adoption of the plan selected will be a general prohibition of the manufacture and sale of all materials of war."

The name of the winner over 22,104 contestants is for the time being withheld.

#### THE PLAN IN BRIEF

In brief the winning plan proposes:

I. That the United States shall immediately enter the Permanent Court of International Justice, under the conditions stated by Secretary Hughes and President Harding in February, 1923.

II. That without becoming a member of the League of Nations as at present constituted, the United States shall offer to extend its present co-operation with the League as a body of mutual counsel under conditions which

1. Substitute moral force and public opinion for the military and economic force originally implied in Articles X and XVI.
2. Safeguard the Monroe Doctrine.
3. Accept the fact that the United States will assume no obligations under the Treaty of Versailles except by Act of Congress.
4. Propose that membership in the League should be opened to all nations.
5. Provide for the continuing development of international law.

The opinion of the public is urgently sought by the American Peace Award. The ballot herewith is for the convenience of CREDIT MONTHLY readers.

Do you approve the winning plan in substance? Yes ☐ No ☐  
(Put an X inside the proper box.)

Name .....  
Please print.

Address .....

City..... State.....

Are you a voter?.....

Mail promptly to

THE AMERICAN PEACE AWARD  
342 Madison Ave., New York City  
If you wish to express a fuller opinion also, please write to the American Peace Award.

# Dictate



**YOU CAUGHT THAT THOUGHT!** You did not wait to warm it over in the shorthand dictation period. Your mind discharged itself instantly to the Ediphone, easy as telephoning, with the relief of knowing the message was clear, accurate and interesting, like your conversation. You have grasped the big Edison idea for executives! When you simplified your day to gain only half an hour with the new Electrip Ediphone, you added another whole month to your business year.

# Ediphone

Built by Thomas A. Edison

### Telephone The Ediphone, your city

Don't look out of the window right here and tell yourself all the reasons why you might as well wait a while.—Start something! Nobody can sell you anything you don't want. Have your secretary call up and see if one of our organizers may not have some information you need. Or ask her to clip this coupon and mail it to Mr. Edison's office at Orange, N. J.

Thomas A. Edison, Inc., Ediphone Division, Orange, N. J.  
Send me the Ediphone "plus Chart." I want to see if it fits my business.

NAME .

ADDRESS



## Banking Reform in Colombia

(Continued from page 12)

of exchange but had practically nothing on notes, checks and other negotiable instruments. The provisions of existing law governing bills of exchange were quite closely in harmony with American law of negotiable paper and Congress therefore adopted the standard negotiable instruments law so generally in force in the States. It is proposed to appoint a Congressional Commission to study and adjust all differences between the old laws and the new negotiable instruments law.

### 4. Sealed Paper and Documentary Stamp Tax.

All documents of any legal importance in Colombia are drawn on specially stamped paper called "Papel Sellado." This paper was so well known

and so highly regarded by all in Colombia that it was retained. The documentary stamp law was so severe that it was a serious drag on business and it was accordingly modified. The new measure is calculated to make negotiable instruments more mobile and more available for bank recourses.

### 5. Reorganization of and Renaming the Ministries.

For purposes of efficiency and economy, a reorganization of the ministries was desirable and this measure provided for this reform.

### 6. The Formation and Forceful Restriction of the National Budget.

Colombia deserves much credit for the courageous step taken in the matter of balancing its budget. By the adoption of this recommendation of the commission, its Congress binds itself to refrain from putting riders on appropriation bills unless at the same time

it provides the necessary revenue. It bound itself not to tie the hands of the administration by refusing to pass appropriation bills and under the terms of this law, the appropriation of the previous year automatically becomes the law of the land if Congress fails to agree on the new appropriation by the fifteenth of December. The law also provides for the balancing of the budget of Colombia not later than 1924 and in all probability the budget will be balanced in 1923. The world would be a better place to live in if all countries would follow Colombia's example in this regard.

### 7. Reorganization of the National Accounting and the Creation of a Comptroller's Department.

This law provides for the creation of a new department reporting to the President and having final control over the entire accounting and auditing of the national government. The department is being actively formed under the direction of Mr. Lill. Colombia will soon be among the leaders in this field.

### 8. Administration and Collection of the National Income.

This law provides for the needed centralization of the responsibilities for the collection and administration of the national revenues under one head instead of under several independent bureaus.

### 9. Income Tax Law.

The existing income tax was revised and provisions made for strengthening the returns and collections.

### OTHER LEGISLATION

A number of other measures were presented to the special session and adopted. Among these was a short bill making it necessary for the customs house administrators to demand the presentation of the bill of lading for the delivery of the goods. It had been the custom to deliver the goods on the presentation of the consular invoice and this practice invalidated the bill of lading as a security for bank loans. This measure has been much applauded by foreign shippers of goods to Colombia.

The commission also drew up a set of postulates for the guidance of the Government in the matter of foreign loans. Careful consideration to the rules laid down in this report will prove valuable to the Government and to the bankers with whom the Republic deals in the future. Another report was presented on the manner in which a reorganization of the customs service should be undertaken.

President Ospina, his cabinet, the Senate and House, the business men, the press, and the public generally, supported the commission most enthusiastically. The commission hopes that the measures will be adequately administered and if this is done, Colombia will take an enviable place among the nations of the world.

### COLOMBIA A LAND OF GREAT PROMISE

Colombia is a land of great promise. The facts upon which this statement is based are summarized below:

She is the only country in South America bordering on both the Atlantic and the Pacific Oceans. She is at the gateway of the Panama Canal. She is producing virtually all the platinum for the world today. Engineers who have studied the situation for years say that in the very near future she will be one of the greatest, if not the greatest gold producing country in

(Continued on page 30)

## Sound Management Spells Safety

THE safety of an investment stock depends not only upon the property or investment behind the stock but also upon the wise management of the company.

The management of the American Telephone and Telegraph Company throughout its entire history has pursued sound and conservative, yet progressive financial and business policies. Both the management and the entire personnel have a full appreciation of their responsibility not only to the public but also to the stockholders.

This accounts in part for the fact that there are now over 278,000 stockholders of the company.

Stock of the A. T. & T. Company is paying 9% dividends. It can be bought in the open market to yield over 7%. Full information on request.



"The People's Messenger"

**BELL TELEPHONE  
SECURITIES CO. Inc.**

**D.F. Houston, President  
195 Broadway NEW YORK**



## The wise credit man knows

—that wherever he grants a credit there must be insurance to protect it.

—that the insurance should be written in a company of unquestioned standing.

—that in the event of fire or other disaster the debtor's financial standing must not be impaired.

When a man is insured in the Hartford Fire Insurance Company, you know that both his interests and yours are protected to the utmost:

1—Because of the cooperative service of Fire Prevention that is offered Hartford policy holders without charge.

2—Because of the reputation of the Company.

3—Because the record of the Company in all conflagrations for over one hundred years indicates the proved willingness of stockholders to meet any obligation which the Company may assume.

4—Because of the financial strength of the Company, i. e., its corporate security to policy holders.

5—Because the Company's knowledge and experience

guarantee expert and intelligent handling of business.

6—Because of the universality of the operation of the Company. It is convenient to all property owners anywhere within the United States and Canada.

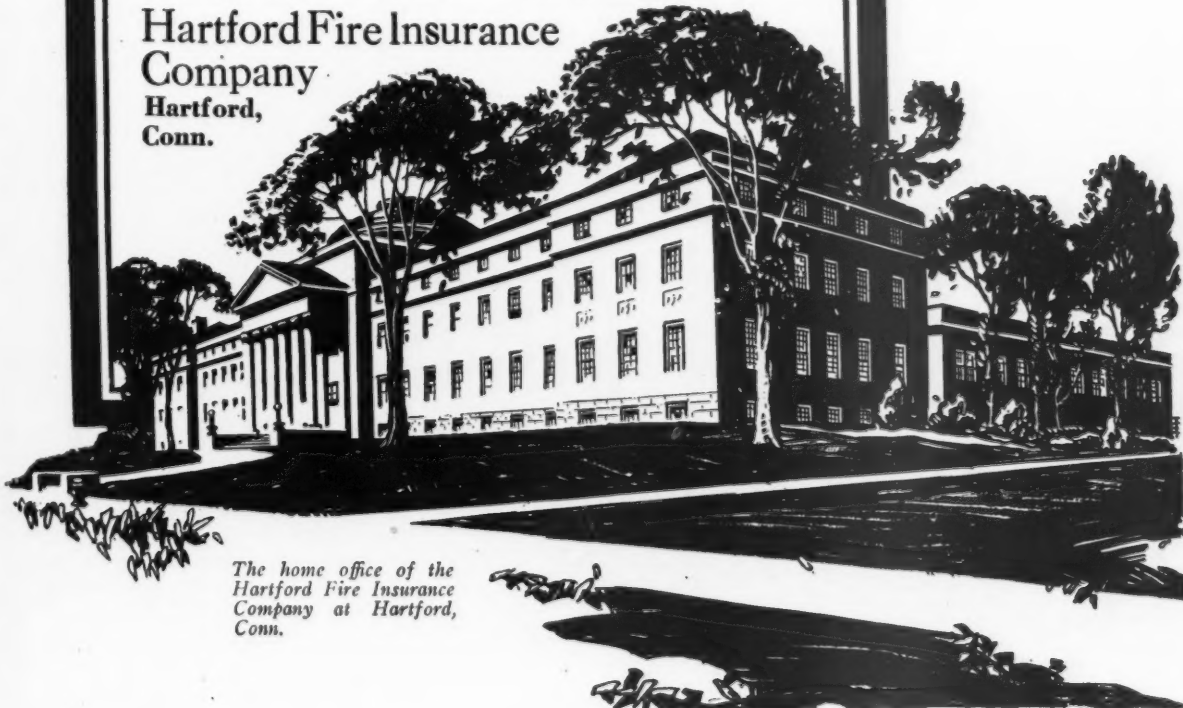
7—Because it offers property owners protection against practically every form of risk that threatens financial loss.

8—Because the extent of the Company's resources and the size and distribution of its premium income warrant it in carrying very large offerings, and thus enable policy holders to deal with one company only, if they so desire.

**Hartford Fire Insurance  
Company**  
Hartford,  
Conn.



*The Seal of  
Certainty on  
an Insurance  
Policy.*



*The home office of the  
Hartford Fire Insurance  
Company at Hartford,  
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## Banking Reform in Colombia

(Continued from page 28)

the world. Other engineers who have made continued studies say that she has immense deposits of hematite of a very high grade; that manganese, limestone, and coking coal are to be found in the same mountains, thus making possible the development of steel under conditions similar to that obtained in the Birmingham district; and that she has one good deposit and several scattered deposits of copper. Oil investigation has gone beyond the experimental stage and plans seem to be well under way for its exportation as soon as the needs of the world demand it. It is thought that the fields are much more extensive than those at present considered proven fields.

Colombia's coffee ranks with Guatemalan and Costa Rican in the New York market. It is used to give the flavor we appreciate so much in the finer coffees. It is the greatest and most valuable Colombian crop and yet thousands of hectares of land available for coffee culture are untouched.

Immense areas are devoted to cattle raising and much greater areas available for cattle raising are undeveloped. One large packing house has been built on the Caribbean Sea with part Colombian and part American capital. The American protective tariff imposed since the plant was built keeps the products of this enterprise out of the United States. It is greatly to the credit of the Colombian interests in this plant, that they engineered the business so that it is self sustaining during its early days by developing a large trade in cattle on the hoof with South America and the West Indies.

The wild rubber areas of Colombia are vast and luxuriant but they are not being worked because cultivated fields in more accessible places in the world now supply the demand. They await the demands of the world.

Colombia has several valuable fibres, but their value will not be known in the foreign markets until machinery has been developed and used much more extensively than at present.

The native cotton has fibres nearly twice as long as that grown on our Southern plantations. It grows practically wild, is poorly cultivated, improperly picked, and is not graded and yet it makes cloth that is heavier and has better wearing qualities than imported cloths or that made from imported yarns. Five cotton mills are doing a profitable business. There is room for further development, for cotton goods are much in demand for tropical wear.

Colombians consume much sugar and Colombia grows and manufactures most of the

sugar used in the country. There are, however, vast areas of undeveloped sugar land, which might be used to grow sugar for export.

It makes one's mouth water to think of the great variety of fruits grown in Colombia that never reach our markets—nisperos, mangos, papayas, oranges, figs, limes and countless other wonderful fruits. The transportation of fruits demands refrigerating ships and a developed market. The United Fruit Company has spent a great deal of money in its "Great White Fleet" and in the banana lands of Colombia and Central American countries. Trade of all kinds has followed these developments. But there is still room for development.

Colombia has practically no manufactures except cottons, a few woollens and a very small quantity of shoes. She has one cement plant. She grows a fine grade of tobacco and makes a wide variety of cigars and cigarettes. She consumes a large amount of rice; has great areas available for rice culture; but imports about 85 percent of the rice she consumes. She has a mountain of salt near Bogota that has been worked for centuries and seems to be inexhaustible but she extracts from the sea practically all the salt consumed at the coast because it costs so much to transport it from Bogota. She can grow anything found in the tropics and in any part of the temperate zone.

One might go on recounting the tremendous resources of Colombia. But Colombia is poor in a number of things most necessary for the development of a country. To enumerate some of them:

1. She has no capital and must look to the foreign market for it. She has a ridiculously small amount of foreign and domestic debt. Although she has an extremely high sense of honor, particularly with her foreign obligations, her record is not very well known because she has borrowed so little. Her record will stand close inspection.

2. She is terribly poor in transportation facilities. She is so badly off in this regard—her people are so isolated from each other—that the country is really divided into five different states or countries with very little in common except a capital city and a congress. She has less than a thousand miles of railroad and is compelled to depend upon the Magdalena River for the carriage of freight to the capital. The Magdalena River is at once a blessing and a curse to Colombia. It furnishes a means of communication but if she did not have it she would have developed a railroad long ago. The river is very swift. It carries down an immense quantity of silt which fills up the channels and makes sand bars at new places every time the river rises. Travel is slow and dangerous. Owing to the conflict between the currents of the river and the Gulf Stream where the river empties into the Caribbean Sea there is a deposit of silt at the mouth of the river which prevents ocean going vessels from entering the river. All goods must be left at Puerto, Colombia, and carried over a private railroad to Barranquilla and then be transferred to the river steamers. Everything must be carried off the boats and up a steep bank at La Dorada and delivered to another railroad which carries them around the rapids to Beltran. Here the goods are again loaded on boats. Another rehandling is required at Giradot from the upper river boats to the railroad which carries them to Facativá where they are transferred to the railroad on the Sabana

running to Bogota. Freight charges are prohibitive and the damage to containers and goods make costs of materials laid down in Bogota very high. The Magdalena River is getting less navigable year by year and it is only a question of time when the development of a railroad will be a matter of necessity.

Goods reaching Bogota by way of the Pacific require four days' mule trip over the mountains and several transshipments. The best route to Medellin, the second largest city of Colombia, includes carriage over the back of a very high mountain on mule carts at \$3.10 a ton besides all the other costs. Goods going to the thriving city of Manizales must be carried over the mountains on the backs of mules or over the aerial tramway from Maraquita a distance of about forty-five miles. Several large and important cities are almost isolated.

3. Colombia lacks a middle class and she would be much better off if she would develop one by encouraging desirable immigration and by a consistent, progressive educational policy.

4. Colombia lacks skilled mechanics of all kinds. Yet her people are eager to learn and readily become efficient operators on modern machinery.

5. She is deficient in organizing ability and in knowledge of modern methods of operation, accounting, control, financing, and other matters so important in large scale production.

6. Her educational system is not geared up to modern methods but there is a healthy appreciation of this fact and progress is being made. No great advance can be made, however, until independent universities are formed and endowed with the means necessary to attract and hold good teachers.

7. One of Colombia's most prominent citizens says that her greatest need is that her boys shall be taught baseball, football and other games where the success of the game depends upon team play.

## RAILROADS WELL BUILT AND RUN

In the negotiations with the United States regarding the payment of the \$25,000,000, Colombia set her mind on using at least \$20,000,000 of this money on public works, meaning railroads. She set aside \$5,000,000 for a new central bank. Her nationally owned and controlled railroads inspire confidence. They are well balasted and gangs are continually working on bridges, culverts and general maintenance. The terminals are well built, are adequate and well organized. The trains run on time. All of these things are in marked contrast to the privately owned roads some of which are popularly called "streaks of rust." The Ferrocarril de Antioquia, owned by the Department of Antioquia, makes a net profit of \$800,000 a year every cent of which is going into betterments and extensions.

Colombia has had a stable government for more than twenty years. Her people seem to be through with revolutions and it is doubtful if one could be engineered simply to place a new

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man or party in power. There are many business houses which enjoy first grade credit. European bankers and business houses are thoroughly alive to the value of the Colombian market. They are keen competitors. The payment of the \$25,000,000 to Colombia by our Government, the far-reaching financial reform undertaken by Colombia under the guidance of an American Advisory Commission, the earnest desire of Colombia to make real progress, the proximity of this market to our own shores, make a golden opportunity for American bankers, manufacturers and traders. Shall we take advantage of it?

## An American Legion Man on the Bonus

*"For God and country we associate ourselves together.....to inculcate a sense of individual obligation to the community, State and nation." (From the preamble of the Constitution of the American Legion.)*

THE Editor of the CREDIT MONTHLY has kindly let me make the following remarks to those credit men who were unlucky enough not to be in uniform during the War:

The next time you meet an uninjured service man, tell him you want Uncle Sam to pay promptly every debt he owes, no matter how inconvenient it may be.

Then remind him that he got a Federal bonus of sixty dollars when he was discharged, and has received, or will probably soon receive a bonus from his State.

If he was a volunteer, ask him whether there was an actual or implied agreement that Uncle Sam was to pay him a pension or a bonus after the War.

If he was drafted, ask him if his rights under the Constitution do not carry with them certain obligations including that of defending the country on any terms of pay or service that the country may impose.

If he says that many able bodied young men capable of military service stayed at home and were overpaid for their work, ask him if two wrongs make a right.

If he says that the American Legion Weekly has printed no arguments against the bonus, tell him that its editors consider it their duty to run the paper that way because the majority of the Posts of the Legion and the last three national conventions of the Legion have come out in favor of a bonus. Ask him if he knows that the founders of the American Legion declared that it was not out for special favors for ex-soldiers.

Ask him if he considers President Coolidge and Secretary of the Treasury Mellon good judges of the question of what is best for the prosperity and happiness of our whole country, when they declare against a soldiers' bonus.

And finally, ask him if he really believes that Uncle Sam owes him money for wearing a uniform while we were at War.

R. G.



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BRANCHES IN PRINCIPAL CITIES

## The Spokane Outlook

By W. M. Flaherty  
Spokane, Wash.

THE Spokane Merchants' Association, affiliated with the National Association of Credit Men, continues to attract to its membership merchants and bankers of prominence in that city. The membership is constant.

The attention of the Spokane Merchants' Association is now concentrated on the fact that the year 1924 marks the fiftieth anniversary of the birth of Spokane, the financial, commercial and transportation center of the Inland Empire. In that half century, Spokane has grown to a population of 116,000, an achievement that stands almost unparalleled in the United States.

Being 350 miles from Butte, 382 from Helena, 351 from Seattle and 368 from Portland, we can visualize what a great trading center Spokane will be when the territory adjacent to the city becomes more thickly populated. Even now, the market cannot be overlooked by the sales and credit manager who wants to place his product in the hands of people whose prosperity is on a solid basis. Spokane people spend generously to live right but Spokane is a city of thrift with 74,000 saving accounts averaging \$377 each.

Ralph C. Eptis, of the Northwestern University in a recent survey of the Pacific Coast section found that the people residing in the Pacific Northwest have the largest per capita wealth, \$796, as compared with the Middle Atlantic states of \$783 while the per capita income of the East South Central states is less than half that amount or \$364.

There are 27,187 families living in Spokane, buying from over a thousand retail stores which do some \$11,000,000 worth of business annually. The business district is well built, housing practically every kind of store or plant and is advantageously developed.

Within a radius of 150 miles—Spokane's trading area—there are 533,598 people. These half million people and more are owners of nearly 70,000 automobiles which goes to show that Spokane and the Inland Empire is a real market on which executives should keep an eye for future advancement. Today great works lie on every side and one sees twentieth century engineering on a big scale. Steadily the mighty work of building an empire moves ahead. Vast waterpower projects are being undertaken. Huge sawmills are established to cut the unlimited amount of timber. The smelters steadily separate the precious metals from the earth, but the biggest industry of all agriculture, moves onward every year.

### WHEAT NOT THE ONLY CROP

Wheat is not the only crop harvested in the Inland Empire. The latest figures of the Department of Agriculture estimate a spring and winter wheat yield for 1923 in the three northwestern states of more than 113 millions of bushels. The Inland Empire which included twenty counties of central and eastern Washington, nine in northern Idaho and a half dozen in Montana and the greater part of five counties in northeastern Oregon, produced 75 per cent of this crop or more than 88½ millions of bushels, a new record for the Spokane district by more than one million bushels.

For this bumper wheat crop, the farmers of the Inland Empire received \$68,000,000 or \$16,000,000 more than last year. The buying power of this industry represents only a portion of the new wealth received each year in the Spokane District.

In addition to the wheat, this region produces about one-third of the nation's apple crop. This year nearly 36,500,000 bushels of apples were shipped to all parts of the United States and foreign markets. The yield of cherries, prunes, plums, loganberries, peaches and pears brought the value of the fruit crop to approximately \$100,000,000.

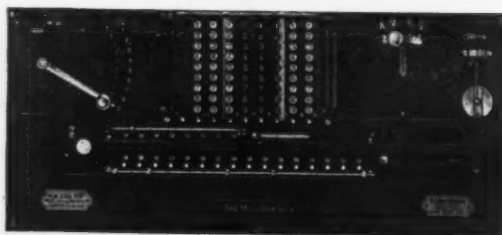
One of the fast growing industries is lumbering. The timber area of the Spokane country covers more than 35 million acres with a stand of more than 350 billion feet, including the largest remaining stand of white pine in the world. Formerly the lumber industry was devoted entirely to the cutting and sawing of timber, but today, with the aid of its almost unlimited waterpower, hundreds of factories are turning out the finished products. One of the big developments is the match block business. Well known match companies operate big plants in the city and in the timber areas have their sawmills, camps and railroad equipment.

### MINING

Within this Spokane area lies the famous Coeur D'Alene mining district where nearly one-third of the nation's lead output is produced. The Bunker Hill & Sullivan Mining & Smelting company owns and operates the largest lead producing mine and smelter in the world at Kellogg, Idaho, 76 miles east of Spokane.

These great resources found in the Inland Empire aided with the unlimited waterpower facilities that are available, offers much to the manufacturer. On the Spokane river within a distance of 100 miles, there are seven hydro-electric power plants generating 182,250 horsepower.

With the raw material at hand, sufficient power to turn the machinery, new transcontinental railway lines and fourteen branch lines radiating in every direction, the markets of the world are open to the manufacturers of this region.



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## What Allen Wrote to Nate

(Continued from page 15)

Nate, that the dividends on Preferred Stock are nothing more or less than interest payable to stockholders.

We'll have to admit the proprietor had a big vision but allowed his enthusiasm to overbalance his judgment at the very outset and has been twenty-three years trying to make good. He's still in bad, or maybe we had better say he is still *trying* to make good.

So far, so good; O. G. C.'s Balance Sheet doesn't stand up very well under the Four Static Ratios,—only one of them is favorable, and that only standing by itself doesn't spell very much. These Static Ratios, by the way, show how the customer stands,—his present financial condition.

Maybe, I didn't say so, Nate, but let's not lose sight of the fact that in this analysis of O. G. C.'s Balance Sheet, I am in reality making a study into the Philosophy of Ratios, as applies to *Any Balance Sheet*—quite philosophical, Nate?

Now let's take a look at the first of the Velocity Ratios—There are four of them, also, and they show the direction in which the customer is going and how fast he's making the trip. The first of these is Sales to Receivables.

O. G. C.'s sales are \$1,250,000 per annum, while his Receivables are \$258,000. These figures show a ration of 4.85 to 1, while the normal average is 9.67 to 1. So this feature of his business is only 50% normal. His receivables are not as liquid (easily collectable) as they should be,—either that or he is granting long time credits and perhaps carrying items on his balance sheet as "Receivables", which are in reality not only Bad but may be Dead Accounts.

The second of these Velocity Ratios is that of Sales to Merchandise. This Ratio, as shown on O. G. C.'s Balance Sheet, is 8.4 to 1, while it should be about 3 to 1 to be normal. Therefore the showing in this respect is 280%.

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What do you think of that, Nate? You know, it's sometimes worse to be abnormal than subnormal. Considering the merchandise stock he is carrying he has practically three times the volume of sales that would naturally be expected. This ratio standing as it does, shows one of two things; he is either selling goods at a loss, or,—if he is making money,—he is dissipating the profits,—they don't show up in the Balance Sheet.

But let's move along, Nate:

The third Velocity Ratio is that of Sales to Net Worth. Now, you may ask the question, "What relation has Sales to Net Worth"? Of course, such a ratio would mean nothing unless we knew what the normal average in the same industry might be. This is the thing I have determined: it is 2.64 to 1.

O. G. C.'s balance sheet shows a ratio of 5.63 to 1, sales to net worth. This is 213% normal, 2 1/8 times as high a ratio as would normally be expected. Doesn't that look rather odd, especially in view of the fact that a previous analysis brought out the fact that the ratio of sales to Receivables is subnormal?—and another analysis that develops the ratio of "Net Worth" to "Non-Current Assets", bringing out the fact that O. G. C.'s Net Worth is

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only 1/3 normal? Putting those ratios together, Nate, it seems to me that we have mighty nearly uncovered something.

This ratio, "Sales to Net Worth" is very significant in that it confirms my previous analysis. There is no doubt but that O. G. C. has done or is doing something behind the scenes, maybe he's been mixed up in some wild speculation. But whether he has or hasn't, Nate, there is one thing sure: his extremely large volume of sales (if made at an ordinary competitive price) entitles him to a Net Worth of practically twice what he has. Now his net worth is \$222,000; if it were twice as great it would be \$444,000, and the analysis shows that one would expect to find just about such a net worth. What has become of the other \$222,000, Nate?

I have come to the fourth (and last) Velocity Ratio in my Analysis of O. G. C.'s Balance Sheet. I have uncovered a good many things in this detailed analysis that would have to be taken into consideration if one were to base the granting of credit or anything other than a guess.

The last Velocity Ratio is that of

#### SALES TO NON-CURRENT ASSETS

O. G. C.'s sales are \$1,250,000 per annum; his Non-Current (Fixed or Permanent) Assets are \$100,000. Therefore, the ratio of Sales to Non-Current Assets is 12.5 to 1. The normal average is 16.57 to 1, so O. G. C.'s business in this respect is only 24.6% below normal. In other words, it is 75.4% normal. With one exception, this is the most favorable ratio that I have found in analyzing his business.

I've applied the Four Static Ratios:

- (1) Current Assets to Current Liabilities.
  - (2) Receivables to Merchandise.
  - (3) Debt to Net Worth
  - (4) Net Worth to Fixed Assets.
- and the four Velocity Ratios;
- (1) Sales to Receivables
  - (2) Sales to Merchandise
  - (3) Sales to Net Worth
  - (4) Sales to Fixed Assets

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and I believe I have got to the point, now, where I can say something pretty definite as to whether or not I can pass this order along to the Sales Department to be booked.

But now, let's assemble the facts:

The Static Ratios I have worked out are as follows:

No. 1.....	75.0% Normal
No. 2.....	18.5% Normal
No. 3.....	23.6% Normal
No. 4.....	36.0% Normal

Don't you see all of the above ratios are subnormal?

The Velocity Ratios show up as follows:

No. 1.....	50.0% Normal
No. 2.....	280.0% Normal
No. 3.....	213.0% Normal
No. 4.....	75.4% Normal

Now please note carefully, Nate, that numbers two and three of the Velocity Ratios are excessively abnormal, while number 1 is subnormal.

The following conclusions, Nate, are numbered according to the ratios they apply to:

Static:

- No. 1 .....Fair  
No. 2.....Unwise credits or poor collections.  
No. 3.....Creditors financing business.

- No. 4.....Either no profits being made, or same are dissipated.

Velocity:

- No. 1.....Either carrying bad (or dead) accounts at full face value or granting long time credits and not collecting promptly.

(Continued on next page)



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(Continued from page 35)

No. 2.....Very large volume of  
sales and rapid turnover.

No. 3.....Sales proportionately  
large, but nothing tangible  
to show for same.

No. 4.....Fair.

Now, the point in making this detailed analysis, Nate, is whether or not O. G. C. is worthy of credit. You know, last Saturday just after you left the office I asked Dun, Bradstreet and the National Association for Special Reports. These reports are now on my desk. While the Balance Sheet figures are practically the same as those you gave me, there is something pithy in the body of one of these reports. In my analysis I hinted pretty strongly that O. G. C. was making money, but that he was putting it into some channel where it didn't do his business any good. Well, this special report says: "This firm speculated in Cuban Sugar in 1920 and lost \$200,000." What do you think of that, Nate? I overshot the mark a little,—I said that from my analysis one would expect the Net Worth to be about \$222,000 larger than it is. You see, if O. G. C. hadn't lost \$200,000 in Sugar speculation it would make the net worth of the concern look a great deal better.

It's a shame, Nate, to think I have taken up so much of your valuable time, but I guess it's worth while,—at least it is to me—and Midlothian.

I'm afraid, Nate, I will have to put my "N. G." on this order. You see, you had the order written up on "Thirty days after arrival" terms and specified that shipments were to go forward two hundred and fifty barrels every day. This would allow the entire ten thousand barrels to be outstanding before

even the first shipment matured,—in other words I can't O. K. such a firm for \$65,000 credit, Nate.

But if you can get O. G. to agree to a shorter term, (say 10 days), and scatter his shipments so that the first car load will mature before the second goes forward, etc., it will be different,—I will O. K. the order for one shipment at a time, with the understanding that each car load is to be paid for before another goes forward.

Now, Nate, you said you were no chicken in this credit game, and knowing you to be always on the watch for something good I am attaching to this analysis a chart which I believe you will find especially interesting in case you really want to branch out somewhat in credits. It's a great game, Nate!

Shoot some more of those 10,000 barrel orders along to Midlothian. We need them. Yours, ALLEN.  
P. S. Don't lose the chart.

### *Prison Sentence for Selling Assigned Account*

AMONG credit men it is generally acknowledged that the assigned open account is an unsatisfactory form of collateral as a basis of credit. Nevertheless, the collateral open account agreement must be upheld as far as it is possible to uphold it, and the action of the District Attorney of New York and Judge Nott of the N. Y. State Supreme Court in the prosecution of Max Blanck is to be commended.

Blanck had assigned an open account against Oppenheim, Collins & Co. due his concern, Normandy Brand, Inc., to Stern & Stern of New York as security to the latter for a shipment of merchandise. Stern & Stern had sold the goods relying upon the security of the assigned account.

Thereafter it was charged by Stern & Stern that Blanck had collected the account of Oppenheim, Collins & Co. and had failed to turn over the proceeds to Stern & Stern according to the collateral agreement. The complainants, feeling that such practice was a menace to business, submitted the matter to the District Attorney through their counsel, L. B. Pollak. The District Attorney presented the matter to the Grand Jury and an indictment was found notwithstanding obstructive measures taken by the defendant. The case was tried by Assistant District Attorney M. H. Panger, who secured a verdict of guilty in the face of a strenuous defense. Blanck, by means of several corporations under which he operated, was able to raise a number of technicalities.

Blanck was convicted before Judge Nott on a charge of grand larceny in the first degree. Though the judge received urgent representations that a suspended sentence should be given, he felt that the crime was of so dangerous a nature as to call for a prison sentence, and he gave Blanck from six months to three years.

The action of the court was upheld by the National Association of Credit Men, the New York Credit Men's Association and the Merchants Association of New York which took the position that a large volume of business is done with assigned accounts as the basis of security, and that unfaithfulness on the part of the assignor to his contract should not be lightly regarded by the courts.

## FOREARMED



A huge sum was paid in 1923 on  
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number of companies.

Food For Thought For The  
Credit Man To Ponder Over.

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# Foam from the Three C's

The past year must have been prosperous for the shoestring manufacturers if the number of people who did business on this product is any criterion.

cCc

The steamship companies have rightly earned the reputation of being democratic—they never give anyone a wide berth.

cCc

Most of the people just want the Mellon cut—the proponents of the bonus want a melon cut.

cCc

A forecaster is a person who is equally adept in telling you what is going to happen and afterwards explaining why it didn't.

cCc

People who criticize some Congressmen for keeping re-election uppermost in their minds should put themselves in the place of a Congressman and imagine how they would feel about going back to an eighteen hundred dollar job.

cCc

Speaking of elections, Mexico has thirty three presidential candidates. At least we have *something* to be thankful for.

cCc

A statistician has figured that if all the checks made out since January first and dated 1923 were placed end on end they would stretch from the front gate of the N. Y. State Insane Asylum to the northeast corner of the Island of Yap.

## ETIQUETTE

*Books on social etiquette which explain the proper knife with which to eat pie and other niceties which mark the cultured-by-correspondence gentleman have been read widely by the rough-but-willing. Business etiquette is quite as important as the social variety and Foam is giving a few pointers which may assist in raising the average office from the depth of crudity to the quintessence of culture.*

## QUESTIONS AND ANSWERS

Q.—A book agent breaks into the office of Mr. B, a busy business man. He shoots a strip of fake bookcovers under Mr. B's nose and proceeds to extol the virtues of each book in a loud nasal voice. How should Mr. B. receive the book agent.

A.—Mr. B. should take the bookagent's hat, pull up a chair for him and offer him a good cigar. He should then courteously examine the books and in a gentle voice explain that he subscribes to all the magazines with which the books are supplied. He should then listen respectfully to the book agent's argument as to why two subscriptions would be advisable. In no circumstances should Mr. B. speak harshly, but should make him feel at home and in the end subscribe to the magazine to help the book agent through college. Even if the book agent is a gray-haired man of sixty, Mr. B. should never question by word or glance the agent's desire to go through college; these gentlemen are particularly sensitive on this point and a craving for education should never be discouraged.

Q.—Should a business man ever keep his feet on the desk?

A.—No—that is, not both feet. One foot may be kept on the desk, preferably the left one: this leaves the right foot free to push a chair around for some calling customer and also to give the exit signal via the shin route to the stenographer when some lady calls on the 'phone.

Q.—Is it permissible to swear at the telephone operator?

A.—This is most impolite and should never be indulged in, unless one is at a slot machine telephone and there is no danger of having the service cut off.

Q.—What reply should a business man give his stenographer who on a particularly busy day asks for the afternoon off in order to go home and hold her sick Aunt Josephine's hand?

A.—He should reply pleasantly in the affirmative; and while she is putting on her hat should run around the corner and purchase a basket of fruit for poor Aunt Josephine. When the stenographer is leaving he should tell her to forget her two and a half untranscribed books of dictation and to take a couple days off to rest up. Note (Ref. First Aid—Chapt. 2. Fainting—keep ammonia to patient's nostrils, etc.)

## THE COLUMNIST'S ALIBI

I know it's quite preposterous for the author of such bunk, to even dare imagine that his stuff is not so punk that he'd have a single reader in the umpty million steen of good hard headed business men who read this magazine. But with poetic license I most tremblingly assume, that there's at least one person who has read this glob of gloom, and to this one unfortunate 'tis very clear to see, no matter how you figure it, I owe apology. So hark ye gentle reader though you be the only one who reads this feeble effort at the frowned-on quip and pun, the reason Foam has not appeared more recently in type, is quite a sad, sad story; but the time is really ripe to give away ye noble Eds. these cruel heartless men, who nearly killed a great desire to do my stuff again. You see I heard them talking in their Editorish way, beneath a pile of copy quite obscured from light of day. They consigned in tones impartial to a land some distance south, canines and column writers who were Foaming at the mouth.

B. B. T.

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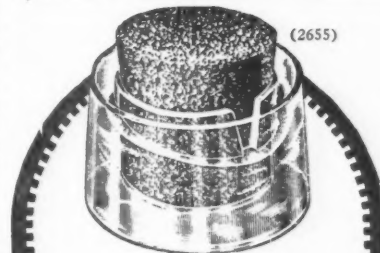


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# "Reading good business books is good business."

## A Working Library Trust Company and Its Customers Use It

By F. E. Francis

IN few directions has the development of the business library been so intensive as in the field of finance. The banking and bond houses early recognized its value both as a means of training employees for more important work and of serving as an information center on industrial as well as financial conditions. For few mechanisms in economics are as sensitive as the mechanism of finance, and few so interrelated and involved.

The Guaranty Trust Co. of New York has developed a library that is something more than a medium through which the officers and employees of the bank can obtain immediate access to the information they require. In a sense it is the exemplar of the policy of good will and service that has helped this institution to develop from an

organization ten years ago embracing a personnel of three hundred to its present staff of ten times that number. Customers and friends of the bank have had the facilities of the library brought to their attention and have been taught to feel that this library welcomes them, and sincerely desires to serve them as a source of information, a place in fact to which they may come when in doubt on any point relating to banking, finances or business. It was largely with this aim that the library has been built up to its present proportions, its scope made so wide and the means of getting information made as free from difficulty as possible.

### HIGHLY EFFICIENT SERVICE

This library is essentially a working organization within a larger organization whose contacts touch every part of civilization. It contains about 20,000 books and pamphlets covering the fields of public finance, banking, commerce, transportation and industry throughout the world. In addition to these volumes there are about 40,000 reports in its statistical files, including railway and industrial reports, statements, mortgages and deposit agreements.

Something like 400 periodicals, newspapers and magazines are received regularly, including financial periodicals published in England, France, Spain, Canada, India, China, Japan, Brazil, Argentina and other countries, as well as the quotation sheets of all the large stock exchanges. Books from foreign countries stand side by side with those published in this country. For special efforts are made to get works on business and finance by authorities from all parts of the world. Among other foreign materials a number of documents issued by the Chinese Government are contained in this collection. One of the exhibits held in particular value is a complete file of the Commercial & Financial Chronicle. With this set are included many numbers of Hunt's Merchant Magazine, the predecessor of the Chronicle publications that date back to before the Civil War and contain valuable information about the financial conditions of that period.

The collection of Commerce Reports of our own Government are carefully indexed and filed for their information on foreign countries, tariffs and export opportunities.

The corporation files cover every character of report and document dealing with 24,000 domestic and 6,000 foreign companies. The financial reference works include investment manuals, year books of many countries, encyclopaedias and directories.

### LIBRARY IN FOUR DIVISIONS

The material assembled is in four main divisions, in a general way con-

forming to the grouping that follows: REFERENCE DIVISION, CLIPPINGS DIV., CORPORATION DIV., CATALOGUING DIV., ORDER DIVISION

The Corporation Division collects material on the various bond issues, and reports on railway, public utility and industrial companies, and has access to mortgages, deposit agreements and similar documents. Important financial journals are carefully studied for information regarding business concerns and materials of value suggested by such study is sent for and filed. This division also files syndicate documents and the memoranda which the bank's statisticians write during the course of their investigations of various economic and financial problems.

New books and periodicals are recorded by the Cataloguing Division. In this work a comprehensive classification, designed to meet the special needs of a financial library, has been devised. Domestic and foreign publications are analyzed for important items from the viewpoint of the company's business. Items on finance and foreign trade are clipped every day, each item mounted on cardboard and carefully indexed for ready reference.

The Order Division sends for books and magazines. When received, they are carefully read and the abstracts or headings indicative of the material are card indexed for reference.

### EDUCATIONAL VALUE TO EMPLOYEES

There is another side to the financial library, its usefulness to the officers as well as the employees of the institution. The system of circulation serves a large number of divisions or departments of the trust company. This means that over 3000 employees as well as the officers are placed in touch with all the library's resources. Current publications are circulated daily so that the latest information concerning matters of interest are promptly brought to the attention of those to whom such material is of importance.

The educational feature of the library is important because it affords the several thousand employees ample opportunity to improve themselves and enhance their chances for promotion by taking courses of study that will help them realize their ambitions.

Lists of books suggested for reading are one of the features of the service rendered by this department. The bond salesman for example, can have mapped out for him, a course of reading, that will help him find new selling points to present on his daily rounds. If a junior bookkeeper desires to inform himself on the principles of financial accounting, the books and what is more important the needed guidance, are there in the library to assist him.

### ENCOURAGED TO READ

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# "Reading good Business Books is good Business."

## The Firebug

(Continued from page 11)

"lost his right hook."

She had never heard again. For with that last letter he had gone from her life but not from her heart. And now—would he be there in the morning? Did he know? Would he remember? Did she still look like the old snapshot, a copy of which she had mailed him in France? How excitedly pleased she had been when he wrote that he liked it. She searched again until she found it, and there followed one of those long scrutinizing mirror examinations (which you and I know nothing about). Yes, there was no difference except in the way she did her hair.

That night a thousand floating dreams of the past and the future flitted before her mind; each one giving birth to different purposes and determinations known only to a woman.

At the breakfast table her mother remarked at Martha's lateness and then commented on the new coiffure. "I like it better that way Martha," she said, "those thing-a-ma-gigs over your ears make you look lots younger."

It was a very excited little operator who took her place behind the switchboard just an hour later. Carefully tucking the snapshot under her vanity case, Martha peeked knowingly in the tiny mirror giving a little pat here and a little pat there; scowling unnecessarily for really she was charming—a trifle paler perhaps, with just a wistful worry in her eyes.

The outer door banged. But Martha was all absorbed until just the faintest trace of a noise made her look up quickly to check a startled cry which might have tumbled out all unexpected. But he was so embarrassed and apologetic for frightening her, and really it was funny the way he backed up to the "mourner's bench" as the salesmen choose to call it. During the interval which followed he scarcely took his eyes off her except occasionally to examine his watch. She busied herself with knitting, casting sly, furtive glances when she dared to half way meet his careful analysis.

At nine o'clock he walked over to the switchboard with a settled determined expression but reaching it found himself stumbling for words. She pitied him now. He was so large, and so flustered—so domineering and yet so willing to let her master the situation. So she asked in her gravest, sweetest voice, "What is it Mr. Barry? Shall I see if Mr. Hampton has come in?"

But her questions made no impression. "I got a German watch," he blurted out.

It was quite unexpected, but she gave the formal reply, "Oh! how nice. May I see it? Where did you get it?"

"Off an' Heinie who wasn't quick—" he said, grinning the thing she knew he meant.

"Oh! the terrible war. But it's a nice watch. Why look! It tells the minutes, hours, days, month and year. It's a calendar watch. How wonderful!"

"Yes, but look in back—" His trembling voice hardly carried the non-committal tone he intended to assume.

She pried open the back lid and found herself staring at the snapshot of Martha taken four years before—the

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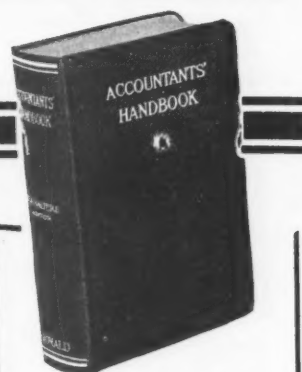
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(Continued on next page)

# "Reading good Business Books is good Business."

## The Firebug

(Continued from previous page)

Martha with those thing-a-ma-gigs around her ears.

He might have expected her to grow curious, or excited, or questioning, but her calm, undisturbed attitude puzzled him into breaking the silence.

"Is you that?" the twisted words stumbled out.

As quickly she reached beneath her vanity case and faced towards him the corporal with a swagerstick. She smiled as only Martha could smile. But on the trembling lashes were diamonds backed by torquois blue. . . .

"Is you that?" she retorted.

He would have answered. But Wesley stood in the doorway beckoning a welcome. And silently he turned to follow him.

## COMMON-SENSE AGAIN

"Well, well, Mr. Barry," Wesley spoke in his charming manner of welcome which marked him as a gifted speaker in the credit circles of Chicago. "It's fine to see you again. Over a year now. . . ."

"Right. . . ."

And heartily they shook hands. "I've come to buy some duds," Barry continued. Let me look over your stock and we can talk terms afterwards. I guess we can discuss that better after we know how big or little the bill is."

"Good reasoning," laughed Wesley. "I'll ring for Walter Sutton; he is the best man to show you real merchandise."

It was well past noon when John Barry again entered Wesley's private office and handed him the filled order blanks. It was what one might have expected from a star salesman like Walter. But even with that in mind Wesley was not prepared for such an outlay as he glanced through page after page until, reaching the final total, he whistled in sheer astonishment.

"Good gracious, Boy, that's an order!"

John twisted in his seat with pleasure. "You bet," he replied. "At the STYLE we buy right and sell right."

Wesley Hampton was stunned. This was beyond his years of experience—sheer audacity, the amazing daring of youth, who had as nonchalantly given right arm to the world's freedom. Hampton took off his glasses and gazed at the red giant now apparently flinging his all into his last plunge. Did he expect to get away with it? "I tried to save him before," Wesley thought, "I will do it again."

"Young man," he said sternly.

"Aw forget it—" John Barry pulled up his chair. "I know what you mean. I know what you want to say about that order. I know you want to know why I came back here to give you all of my business for the future. Three months ago you sent me home—told me to beat it; nothing doing until I took out enough insurance. Gee I was mad! Anybody pretending to tell me how to run my business. You sitting there like a granddaddy preaching. But all the way home I kept thinking—and the next day, and the next day I thought some more. Two months ago I covered everything. A week later Forestgrove had the biggest fire in the history of our county. It wiped me out. Except for you I would have to face the world with this"—he flapped his empty sleeve—"and no job; my savings gone—nothing. So Mr. Hampton I come to thank you. I got the insurance money a couple of days ago, nine thousand dollars. But it's yours, not mine. You've got it coming. That's why I'm buying all my stock here. I don't want terms. I pay cash."

"Well—Well—" Wesley Hampton audably blew his nose. "I'm glad. I'm darn glad. That is all I can say. We credit men have got to be grouchy at times. But we mean to help."

"Say don't I know that. Let me tell you—I'm a fire insurance bug now. Say—you ought to have heard the speech I made when our business association got together to plan 'Help-

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### The Firebug

the-other-fellow' methods. You know there were five stores wiped out and some of the boys not so lucky—

"Cautious,—you mean," smiled Wesley.

"I told them what you said about that firebug busting up a home or a business once every eight seconds—told 'em how in five years America lost over a billion dollars. Sure I remembered all that. We're organized now; got a prevention group and a vigilance committee—and say—" he leaned over confidentially—"they made me president of that."

#### ROMANCE AGAIN

Wesley Hampton was deeply affected. This little part he had played in a man's life brought with greater conviction the deeper meaning of his mission in the field of business.

"You must stay over tonight to celebrate," he said.

"I will," John Barry answered quickly casting anxious eyes toward the hallway. But I think it different than you would expect. I have a German watch," he continued with astonishing abruptness. "It's an interesting watch—lots of things to look at, in front and in back. Look at it."

Wesley took the silver timepiece only too glad for this comic relief weaving its way into the drama which a moment before had gripped him so profoundly. "After all," he thought, "this modern Thor with red hair is but a great big boy bubbling over with life and its little intricate emotions." And then he found himself looking at Martha; Martha patted to the back cover of a ponderous German watch which ticked off the minutes, hours,

days, months and years.

"On my soul," he said aloud. He gazed over averted glasses at the flushed John Barry looking at him with quizzical good humor and again adjusted his glasses. "What a day of surprises!"

"So that's what you mean—celebrate; tricked by the fates!" He brought it out with a sound laugh when John Barry stammered his story to a naive conclusion.

"Well now—we must see about that. I suggest you take her to the Glenn Castle-by-the-Lake. Get a nice dinner. I will send my chauffeur and car. Help yourself for they are going to be yours for the night. Just speak to the head waiter when you get there. The table will be set—in a quiet corner. You know," he winked.

And so it was arranged.

The late moon of August caressed by fleecy clouds lingered like gray silk over pendulous lanterns glittering among the terraced gardens where youth glided in the harmony of rhythm while soft notes told the hour;

*It's three o'clock in the morning.*

*We've danced the whole night through.*

The lake like rippling mercury deftly spread over black velvet—A bend in the path where white birch whispered back to the ripples—The stillness of a tremulous silence.

They stood apart—just a wee bit apart.

He looked at her.

She nodded.

With his one arm he drew her to him, pressed her closer and closer until she might have cried; but not for the hurt of it. Nor again when he lowered his head far down, to those lips that waited his. And when he released her, she sought to stay—whispering very softly.

"O-o-o, oh! But that was a warm one. I think, John, you must be the Firebug."

#### POSTSCRIPT

Even while I write the red serpent with insidious tongue will glide along the path of chaos; where there were forests, now desolation; where there were grain fields, now starvation; where there were homes, now hollow tombs.

The story is finished. But not the drama played in our daily role—without applause, perhaps—without marked appreciation. But when the footlights slowly fade may the last curtain lower before men who as men have protected their own, and as Credit men have with fearless courage made relentless demands of their profession in the protection of things whose values belong to others.

### Ex-Presidents Active

SECRETARY Eben Halley of the Rochester Association of Credit Men writes: "It was certainly a great sight to see our ex-presidents lined up in full force at the speaker's table at our last meeting. We had nineteen of them, and one is 85 years of age.

"William A. Prendergast, past secretary-treasurer of the National Association of Credit Men, was our speaker. John Kennedy of Washington, D. C., a former member of the Board of Assessment and Review at Washington, addressed us on the new Mellon Tax Plan."

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## Book Department

Conducted by John Whyte, Ph. D.

### All Phases of Commercial Banking

COMMERCIAL BANKING. William H. Kniffin. McGraw Hill Book Co., Inc., N. Y., 1923. 2 vols, 808 pp.

The author of this book is already well known to most credit men through his "Commercial Paper and the Analysis of Credit Statements" and "The Business Man and His Bank." The book under review enjoys the merits of its predecessors. Its presentation is simple and clear and its subject matter is excellently illustrated. The book covers all departments of commercial banking except foreign exchange and trust departments. Two chapters seem, however, inadequate to this reviewer,—one the chapter on financial statement analysis; which makes use only of the two-to-one credit ratio in its analysis of business statements, thus leaving out of account a large number of ratios that have been developed by the scientific work of Alexander Wall and the Robert Morris Associates. The chapter on bank collection charges is likely to mislead, for a reader who is not familiar with the difference between exchange charges and interest charges will not be able to learn it from this book.

### A Blurb That Leans Over Backwards

THE ECONOMICS OF OVERHEAD COSTS. I. Maurice Clark. University of Chicago Press, Chicago, 1923. 502 pp.

"This volume is written for all who are seriously interested in the principles of business efficiency and for those who wish to master the economic laws governing our amazingly interrelated business organism. It is a pioneer work that brings together scattered information from a wide variety of sources and adds new fact material. It is not an efficiency handbook, nor a book on 'How to reduce expenses in a business enterprise', but a study of economic principles of the most general sort. It formulates the laws governing operation of costs (especially the independent variables whose changes bring about changes in the cost of production); discusses the economies of combination and the various kinds of business rhythms in relation to overhead; and analyzes the methods of allocating costs and the functions and more important methods of cost accounting."

The above blurb which appears on the jacket of "The Economics of Overhead Costs" is reprinted in its entirety. To careful readers of books the blurbs on the jackets frequently appear as specious and extravagant advertising, and the readers frequently look in vain between the covers of the books for subject matter that coincides with the blurbs. The blurb on Professor Clark's book, however, is of a different character. It describes what the book is, and what is more important, what it is not, and in describing what it is not, it leans over backwards. Though the book may not tell "how to reduce expenses in a business enterprise," no thoughtful business man could read the book without profiting

for his business from the reasoning and general conclusions in the book. To be sure the book is not particularly easy reading for business men who have done little reading in Economics but the book is nevertheless one which both economists and business men can read to their advantage,—and that is high praise for books on business economics. Some of the headings will give the reader an idea of the material covered: Why and How Large Plants Bring Economy—Different kinds of Business Rhythms; Overhead Costs and Railroad Rate Problems; Overhead Costs in other industries; Labor as an Overhead Cost; Discrimination in the Modern Market; Cut-Throat Competition and the Public Interest.

### Are We Chart-Mad?

CHARTS AND GRAPHS. Karl G. Karsten. B.A., Prentice-Hall, Inc., N. Y., 1923. 724 pp.

A few years ago business books appeared without charts and graphs. Today charts and graphs form a substantial part of almost every book on business. There are those who believe that we have gone chart-mad; but though the next few years may see some slight reaction from our present abundant use of charts, there is little doubt that they have become a staple device for helping business men to visualize business operations and business movements. The book by Professor Karsten is the latest and best word on this subject. The book is divided into two parts: Book I deals with simple charts and Book II with advanced charts. The advanced charts can be used for the most part only by those who are acquainted with higher mathematics and advanced statistics. But the business man will find little in the first book which he cannot use successfully either in helping to prepare his own material or in learning to interpret better the charts that he finds in books and articles on business. The value of the book is enhanced by 498 illustrations.

### Indispensable and Low-Priced

THE WORLD 1924 ALMANAC AND BOOK OF FACTS. The New York World, N. Y., 1924. 496 pp.

There are few books that are considered indispensable by so many different classes of readers and students as the World Almanac and Book of Facts. Its tables of statistics covering almost every conceivable subject make it valuable to anyone who must find statistical material at short notice. Its chronology of events, political, sporting, and personal, makes it unique. It is impossible to give to those who do not know this remarkably low-priced book an adequate idea of the material which it contains. For the credit manager there are large sections of interesting data,—for example, the figures of business failures, bank clearings, savings bank deposits, building construction, national wealth, corporation net income, prices, production and population

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**T**HE legal fees of American Business are staggering. Credit losses are even greater. Court calendars are lined with cases—trivial, needless cases—there because of ignorance of the legal side of credit extension and the constant change in Federal and State Statutes. **Save Your Firm Money** on credit losses and legal fees by keeping on your desk a late issue of the Credit Man's Diary and Manual of Commercial Laws. It is indispensable to proper credit operation. It is written for credit men by credit men. It holds open to you the important legal aspects of credit extension, the important changes in Federal and State Statutes and the authoritative use of credit instruments.

The 1924 Edition contains important revisions. It is as up to date as is humanly possible. It is filled with information not to be found in any other single volume in print. It covers Conditional Sales, Sales and Sales Terms for the various trades, Assignments, Attachments, Bankruptcies, Guarantees, Limitations, Exemptions, Consignments, Contracts and Cancellations, Negotiable Instruments, Partnerships, Frauds—and scores of other subjects, each in its latest aspect.

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### Accounting Machines

(Continued from page 20)

the non-listing kind that prints totals and items at one operation instead of using perforating or punched cards. While no figures could be obtained as to the savings accomplished, due, as the store official explained, to the fact that the system had been in use but a few months, yet it was admitted that a very material benefit had resulted, in accuracy and speed.

Still another instance,—

The manager of the statistical organization that gathers, assembles and classifies the great mass of data the insurance underwriters of the country depend upon, recently told an inquirer that his organization was inconceivable without mechanical methods for handling the enormous amount of figures received. To accomplish the same results by manual labor would put the costs at a figure beyond consideration, was this manager's verdict regarding the benefit of machine work.

We reproduce the sales or credit analysis card used by a house famous for its manufacture of drills and drilling apparatus. These cards classify all factors affecting every sale reported from the seventy branches of the firm, located in as many cities, both in the United States and foreign countries. This concern is a firm believer in using and constantly adding to its working equipment all the labor-saving devices it is possible to utilize. They proceed on the sound theory that everything that can be done by machine must be done that way. A trip through its offices revealed the fact that labor-saving devices dot the whole place.

### ALMOST ILLIMITABLE USE

The range in utility of the analysis and accounting machines seems to be almost without end as far as auditing the complicated figures of an active organization. As a matter of fact one of the remarkable features of these organizations that invent and market these machines is the constant experimenting and research they continually carry on to discover new fields of usefulness for their mechanisms. This search for new methods of using their machines has, in fact, created a new position, akin, if not the same, as a commercial engineer. This official heads the *Department of Future Demands* and his work is both consultative and advisory as regards customers with special requirements to meet in installing an auditing machine in their business.

Among the many uses to which these mechanisms are put to, may be mentioned: analysis and auditing for stock and production control;

Computing pay-rolls,  
Labor and cost distribution,  
Purchase and expense analysis,  
Refund and allowance,  
Delivery cost analysis,

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Distribution of expense.

### DAILY POSTING TOTALS OF YEAR

The president of an automobile sales corporation, one of the largest agencies of the Henry Ford Company, in giving his experience with analysis and accounting machines stated:

"We are now able to go to our machine and at a glance read the total amount of business in any one of our fifteen departments for the year to date: the accounts payable; accounts receivable; bank balance; total expenses; total cash business and total charge business up to the moment of reading. All these can be obtained by the mere selection and pressure of a key according to the information we desire.

"In reading at night all totals are printed at the foot of the day's *Audit Strip*. Yesterday's totals are deducted and the audit strip is then used for posting to our books. We have dispensed with the services of a bookkeeper, have a better control of business than ever, and believe the machine will pay for itself at least once every two years."

One example of a novel use for this device is that employed by a famous Fifth Avenue house in New York City now tabulating its great number of daily delivery counts into zones and sizes of packages handled.

The financing department of a famous tire manufacturing concern are enthusiastic over the profit and possibilities of usefulness that mechanical accounting offers such lines of business. Selling over 60 commodities and listing 200 sizes, the salesmen of this house send in daily reports from every part of the United States. With the machines now used, a complete sales analysis, by states, salesmen, discounts, commodity, size and quantity sold are promptly put into the hands of the management the day following, if not the same afternoon. This analysis is a complete photograph of conditions and trends, showing the product selling best, which one is in most demand at various places, how each man is working, and other data of value. This system of machine accounting is also used in figuring depreciations, when for example, the factory sends in every month a journal entry on the depreciation of plant equipment, subdivided into classifications of accounts and departments. Totals must agree with the records of the cards kept in the general office, and by this system of check-up, errors are reduced to a minimum.

## ZEPHON'S COLUMN

**CURIOSITY** is one of the strongest characteristics of C. D. West, better known as "Zephon," Manager of the Investigation and Prosecution Department of the National Association of Credit Men. He invites every credit man to read the names listed herein and if interested to write to him or to the CREDIT MONTHLY.

## Addresses Wanted

AULT, W. C., recently operated as Ault Auto Company, at Newville, Pennsylvania.  
 AUSTIN, E. J., formerly located at 502 Hodges Building, Detroit, Michigan.  
 BAILEY, C., formerly of Hoxie and Portia, Arkansas.  
 BATES, LOUIS M., a contractor, originally operated in Norfolk, Virginia. Reported to be in Toledo, Ohio.  
 BERENZWEIG, M., formerly of Los Angeles, California.  
 BRADFORD, F. M., formerly of Keller, Virginia.  
 BRANSCOMBE, M. T., formerly trading as the Branscombe Chemical Company, 30 Church Street, New York City.  
 BRUH, M., formerly located at 2105 Clinton Avenue, Bronx, New York City, and also at 763 East 180th Street, Bronx, New York City.  
 CAMPBELL, W., formerly of Carthage, Missouri.  
 CAMP, A. J., salesman, of 206 S. Center Street, Salina, Kansas.  
 CLARK, CLIFFORD A., formerly at Weldon, North Carolina, and later at Boston, Mass., and Joliet, Illinois.  
 COX, B. F., formerly of Cottondale, Florida.  
 COX, F. E., formerly of Mingo, Kansas.  
 DAVIS, J. JOHN & D., formerly of 808 North Clark Street, Chicago, Illinois.  
 DELANEY, A., formerly proprietor of the York Drug Store, York, Nebraska. Now reported to be in Canada.  
 DOOLEY, F. M., formerly at Williamson, West Virginia, Kenova, West Virginia and Ashland, Kentucky.  
 DYE, W. C., formerly of Millville, Florida and Panama City, Florida.  
 ELFFENBEIN & WOLLNER, formerly located at 611 East 187th Street, New York City.  
 EVERITT, FRANK, formerly of 317 North Wells Street, Chicago, Ill.  
 FAIR TEXTILE STORES COMPANY, previously did business at 759 Manhattan Avenue, Brooklyn, N. Y. with headquarters at 621 Broadway, New York City.  
 FARRIS, C. M., recently operating as Ideal Meat Market, Omar, West Virginia.  
 FISHGOLD, HARRY, formerly of 1739 Prospect Place, Brooklyn, N. Y.  
 FOLLENDER & ZIMMER, recently of Coney Island, and 1014 East 15th Street, Brooklyn, N. Y.  
 FRANKLIN, R. L., formerly of Eupora, Miss.  
 FRANKS, ARTHUR L., grocer, formerly of 210 East 1st Street, Tulsa, Oklahoma.  
 GAMSUE, SAMUEL, formerly at 2535 Myrtle Avenue, Brooklyn, N. Y.  
 GOLDBERG, LOUIS, formerly located at 118 Orchard Street, New York City.  
 GOLDSMITH, HENRY, recently operated as New Lenox Garage, 63-65 Boulevard, Arverne, N. Y.  
 GOODMAN, HARRY, formerly of Salisbury, Maryland.  
 GORIN, MEYER E., formerly located at 383 Steiny Avenue, Astoria, L. I.  
 GOSS, S. J., salesman, formerly at Branson, Missouri.  
 GRACE, JOSEPH, formerly of Providence, R. I. Now supposed to be residing in Oakland, California.  
 GULF COAST CAFE, (Sunnies Delchamp), formerly at Coden, Alabama.  
 GURRELL, D., formerly in business at 93 East Houston Street, New York City.  
 HERTZBERG & BARON, formerly located at 837 East 180th Street, New York City.  
 HOPPER, MRS. H. E., formerly of DeKalb, Miss.  
 HOUSER, A. E., formerly of Big Rock, Illinois.  
 JONES, FRED R., formerly at 16 Michigan Avenue, Detroit, Mich. Now believed to be in Cleveland, Ohio.  
 KESSLER, A. W., also known as Waldmar Van Kessler and Alex W. Von Kessler.

KOLBE, W., formerly located at 6 West 116th Street, New York City.

KOPPEL, LEWIS, MARCUS & BETTIE, formerly operating a dry goods store at Americus, Georgia. Supposed to be either at Danville, Va., Baltimore, Maryland, or New York City.

KUSCHNER, MRS. R. B., formerly located at 906 North Marshall Street, Philadelphia, Pa. At one time was also located at 5510 Baltimore Street.

LA BAUVE, MRS. EUGENE, formerly of Cottonport, Louisiana.

LEDBETTER, H. L., salesman, formerly at 102 Mt. Vernon Street, Springfield, Missouri.

LIBERTY MERCHANDISE COMPANY, formerly at 20 East 17th Street, New York City.

McELVEY, J. M., formerly conducting business as the City Drug Store, Montezuma, Georgia.

MAIBECK, JOHN, formerly located at 1924 Perkiomen Avenue, Reading, Pa.

MAY, D. P., formerly of 44 East 43rd Street, Chicago, Illinois.

ORR, A. W., recently proprietor of The Electric Shop, at Belvidere, Illinois.

PAYNTER, L. W., formerly of Eulonia, Ga.

PIERCE, J. W., formerly of Toombsboro, Ga.

PRITCHARD, THOMAS N., recently located at Sunbury, Pa.

REILLY PLUMBING & ELECTRIC COMPANY, formerly at 108 North Madison Street, Bloomington, Illinois.

RICHARDSON, MRS. E., previously located at 612 Main Street, Springfield, Mass.

RIDGETON STORE, formerly at 7522 Third Avenue, Brooklyn, N. Y.

ROBINSON, GEO., formerly operated the Victory Smoke Shop, at 33 East 35th Street, Chicago, Illinois.

ROCHELEAU, WILLIAM E., formerly in confectionery and cigar business at Baltic, Conn.

ROSEN, F., formerly located at 1445 Wilkins Avenue, Bronx, New York City.

S. & W. JUVENILE CLOTHING CO., formerly operated by Moe Sagotsky and Frank Schwartz at 692 Broadway, New York City.

SEAMAN, W. A., formerly in auto business at South Wales, N. Y.

SEIGEL, ROSE, formerly at 2379 Myrtle Avenue, Brooklyn, N. Y.

SHAW & MORROW, Carson, Iowa.

SHIELDS, HERBERT, last known address 4027 North 13th Street, Philadelphia, Pa.

SILVERMAN, A., formerly of Saratoga Springs, N. Y.

SILVERMAN, J., harness maker, formerly at 22 West Market Street, Warren, Ohio and on Woodland Avenue, Cleveland, Ohio.

STORM, C. V., formerly operated as Storms Auto Radiator Company, North Mechanic Street, Cumberland, Maryland.

TARLETON, GEO. E., Grand Hotel, Cedar Rapids, Iowa.

TERBERG BROTHERS, (Jan L., Andrew, Henry, William and Joseph), contractors of Miami, Florida. Last heard of at New Orleans, Louisiana.

TURENTINE, J. H., formerly of Marshallville, Georgia.

VALWAY, GEORGE, a carpenter and builder, previously at 3 Warren Street, Stoneham, Mass.

WHEELER, A. E., formerly operated as Gray Motor Sales Company, at 1918 Harney Street, Omaha, Nebraska. Supposed to be now in California.

## Information Wanted

A man about 5' 7" in height; weight about 185 pounds; smooth shaven; very black keen eyes; dark hair; about 40 years of age with decided Jewish cast to his features, is calling upon members to cash checks claiming to be a member of the Krakauer-Zork Company, of El Paso, Texas. The checks and drafts he requests to be cashed are usually drawn on a bank in New York. Should you be approached by this man have him detained by the police for he is an impostor.

## Don't Ask the Grocer for a Pound of Nails!

WHEN a credit man sends to a banker the National Association of Credit Men's standard trade inquiry form, which is intended for use between houses dealing in mercantile credits, he shows a lack of that discrimination which it is fair to expect of him as a credit man.

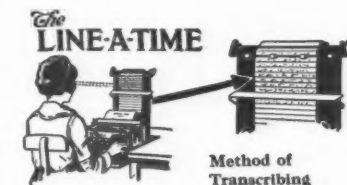
"Sold when?" is not a question to be put to the banker, nor are "Terms of

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sale?" or "Amount past due?" suitable questions to ask the banker. The banker is not selling merchandise, and never sells it unless he happens to have made the mistake sometime of entering into a bad loan; accounts do not stand in the bank as "Past dues." If bank information is worth while it should be gone after in the right way with questions such as the banker by the nature of his business can answer and ought, as an important part of the credit fabric, to answer.

## Massachusetts Credit Men Promote Commercial Arbitration

GEORGE C. MORTON of Carpenter, Morton Co., and John F. Briry of Braman, Dow & Co., prominent members of the Boston Credit Men's Association, have been named on a committee appointed by the Massachusetts Chamber of Commerce to draft for Massachusetts a commercial arbitration act similar to the law now in operation in New York and New Jersey.

This committee will also be responsible for formulating plans for a permanent arbitration council or board comprising representatives of commercial and other business organizations whose duty it will be to foster commercial arbitration in the state.

The meeting called to discuss the subject was addressed by Charles L. Bernheimer, Vincent Gilray and Julius Henry Cohen of New York and Henry H. Morse of Washington, who for many years have been active in the development of the commercial arbitration idea.

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**OFFICE AND CREDIT MANAGER**—Now employed but available immediately, wishes to locate in or near Cleveland. Fourteen years' practical experience in accounting, budget preparation, credits and collection as well as executive office management. A-1 references. Address Advertisement 901.

**CREDIT AND COLLECTION MANAGER OR ASSISTANT MANAGER**—Age 34, University graduate, seeks position in middle Atlantic states, preferably Baltimore. Eight years' experience in credits and collections. Handling tire and manufacturing in large amounts. Thoroughly experienced and can show good record. Have held executive position for past six years. Salary \$3,600; available immediately. Address Advertisement 902.

**CREDIT MANAGER AND EXECUTIVE**—Who is capable of taking entire charge and assuming responsibility as general credit manager and other financial duties. Now supervising credits on more than twenty-five millions annually, covering various lines and terms. Minimum salary \$7,500. Prefer central or eastern location. Address Advertisement 903.

**BUSINESS EXECUTIVE**—Experienced, thoroughly reliable and capable to assume full responsibilities as directing head of credits and collections, or accounting departments of large organization. An efficient correspondent in either credit-collection, advertising or general sales promotion work. Well versed in business finance and commercial law. Married, age 31. Excellent references and good reasons for desiring a change. Connection with manufacturing or financial organization preferred, but will consider all propositions where loyalty, ability and hard work would be appreciated and equitably rewarded. Address Advertisement 904.

**CREDIT AND COLLECTION MANAGER**—Age 35, married, college training. A wide experience in granting credit to jobbers, hardware merchants, garages, druggists and general merchandise stores. Excellent correspondent. Can furnish best credentials to substantiate record. Will locate anywhere. Salary \$2,600. Address Advertisement 905.

**AMERICAN CITIZEN**, age 27, single, Christian, college training, desires position of responsibility; seven years' executive, accounting and auditing experience. Address Advertisement 906.

**CREDIT MAN**—Age 34, married, college graduate and law student. 12 years' experience in credits and collections and in executive capacities, seeks connection with company where a good future exists. Address Advertisement 907.

A young woman with several years' experience in export work, desires connection with a New York export house. Past two years employed in the export department of a company located in middle west. Thoroughly experienced in handling all details. Perfect knowledge of Spanish and able to translate German, French and Portuguese into English and also write letters in these languages. Best references. Address Advertisement 908.

**CREDIT MANAGER**—Ten years' experience as credit manager with large firm doing an annual business of \$2,000,000 in builders' supplies, coal and flour. College training; married. A-1 references. Address Advertisement 909.

**SECRETARY-TREASURER**—Long identified with house selling retail dry goods and men's furnishings, wants position as credit executive with full charge of credits and collections. Knowledge of Spanish. Interview with principals desired. Address Advertisement 910.

# Directory of Officers Affiliated Branches National Association of Credit Men

Note: A. C. M. means Association of Credit Men

**ALABAMA**, Birmingham—Birmingham A. C. M. Pres., T. F. Ormond, Earle Bros.; Sec.-Mgr., R. H. Eggleston, Chamber of Commerce Bldg.

**ALABAMA**, Montgomery—Montgomery A. C. M. Pres., C. H. Cook, c/o Solomon Bros.; Sec., I. M. Holloway, 421 Sheperd Bldg.; Asst. Sec., Arthur Walker.

**ALABAMA**, Selma—Selma A. C. M. Pres., W. I. Bloch, Bloch Bros.; Sec., R. S. Carothers, Selma Hardware Co.

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